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THE UNIVERSITY OF ALBERTA
MANAGEMENT BY OBJECTIVES:
A BEHAVIORAL PERSPECTIVE

by

 KENNETH T. HEPBURN


A THESIS

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This study examines the ways in which management by objectives incorporates some of the contributions that have been made to administration by the behavioral sciences.

A review of some of the theory on motivation and leadership is presented as well as a theoretical basis for an application of management by objectives. The study, however, values primarily the contributions of the behavioral sciences to management by objectives.

The undersigned certify that they have read, and recommend to the Faculty of Graduate Studies for acceptance, a thesis entitled Management by Objectives: A Behavioral Perspective submitted by Kenneth T. Hepburn in partial fulfilment of the requirements for the degree of Master of Business Administration.

ABSTRACT

This study examines the ways in which management by objectives incorporates some of the contributions that have been made to administration by the behavioral sciences.

A review of some of the theory on motivation and leadership is presented to establish a theoretical base for an appreciation of management by objectives. The theory does, however, raise certain issues of concern to management. In particular, it directs management's attention to the type of supervisory behavior best suited for organizational effectiveness, and to the relationship between leadership behavior and motivation. Therefore, the study surveys some of the empirical research and the conceptual schemes that have been directed toward these issues.

A survey of the management literature is then made to permit the presentation of a comprehensive overview of what the literature presents as management by objectives. Finally, an attempt is made to examine the relationship between the theoretical and empirical contributions from the behavioral sciences, presented in the study, and some of the actual management practices that have become associated with the management by objectives approach.

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CHAPTER I

INTRODUCTION

Purpose of the Study

This study proposes to examine the way in which "management by objectives" incorporates some of the contributions that have been made to administration by the behavioral sciences. In particular, it aims at the achievement of three specific objectives. They are:

- 1 To examine some of the theoretical contributions from the behavioral sciences in the areas of leadership and motivation, and to describe some of the associated models of organizational behavior;
- 2 To survey some of the empirical research and conceptual schemes that have attempted to examine issues, of concern to management, which relate to the application of the theories of motivation and leadership; and
- 3 To present a comprehensive review of what the literature offers as "management by objectives", and to point out those aspects of the approach that appear to reflect both the theoretical and empirical contributions from the behavioral sciences.

Scope and Limitations of the Study

The behavioral sciences have made many advances toward an understanding of human behaviour. However, this study is limited to a review of the findings and theories that have emerged in the areas of human motivation and leadership. The survey of the literature on management by objectives, conducted for this study, indicated that these two areas were the focal ones for this approach to management.

Although the study is primarily concerned with presenting management by objectives from a behavioral perspective, it has a secondary purpose of providing the reader with a relatively complete review of what the literature actually presents as "management by objectives". Therefore, in addition to presenting those managerial practices which appear to reflect a behavioral base, this study also attempts to place these practices within the overall context of management by objectives.

Overview of the Topic Area

The past decade has witnessed an impressive development in management theory and practice. Many of the developments are a direct result of interdisciplinary contributions from the behavioral sciences which have transformed management's understanding of human behavior. Traditional approaches to management were predicated on

a view of individual behavior that has all but vanished in the face of the theoretical contributions and empirical evidence of the behavioral sciences. An appreciation of the complexity of human behavior has replaced the simple assumption that individuals in organizations are passive instruments motivated only by economic means.¹ This, in turn, has been reflected in new approaches to management. Management by objectives has emerged as one of these approaches and many of its practices are advocated as a means of realizing the full motivational potential of an organization's members.²

The behavioral sciences have sought, in part, to determine how people behave and why they do so. The research has followed many directions; however, one of particular significance for management

1 For the view of human behavior associated with traditional approaches to management see, Joseph L. Massie, "Management Theory," in Handbook of Organizations, ed. by James G. March (Chicago, Illinois: Rand McNalley & Company, 1965), p. 405; James G. March and Herbert A. Simon, Organizations (New York: John Wiley & Sons, Inc., 1958), p. 6; Douglas McGregor, The Human Side of Enterprise; (New York: McGraw-Hill Book Company, 1960), pp. 33-44.

2 This is the theme of much of the literature on management by objectives. For a sample see, Burt K. Scanlan, Results Management in Action (Cambridge, Massachusetts: Management Center of Cambridge, 1967); Charles L. Hughes, Goal Setting (New York: American Management Association, 1965); McGregor, The Human Side of Enterprise; James O. Leathers, "Applying Management by Objectives to the Sales Force," Personnel, 44 (September-October, 1967), 45-50; J. D. Batten, Beyond Management by Objectives (New York: American Management Association, 1965); George S. Odiorne, Management by Objectives (New York: Pitman Publishing Corporation, 1965); John J. Simpkins, "Planning for Management by Objectives," Systems and Procedures Journal, 17 (January-February, 1966), 32-7.

has centered around human motivation. Although the search for a theory of motivation has led psychologists in many directions, most of the work has produced recognition of the fact that human behavior is directed toward the satisfaction of human needs. Therefore, much of the work in this area has focused on differentiating various human needs, isolating particular needs and examining their effect on behavior, and studying how these needs are structured.³ Another major dimension of human motivation has involved recognition of the cognitive aspects of individuals, and the effect that values, expectations and perceptions can have on their behavior.⁴

3 The investigation into this aspect of motivation has been undertaken primarily by the psychologists; therefore, most introductory tests in psychology offer a discussion of it. See, Ernest R. Hilgard and Richard C. Atkinson, Introduction to Psychology (New York: Harcourt Brace & World, Inc., 1967); L. Dodge Fernald and Peter S. Fernald, Overview of General Psychology (New York: Houghton Mifflin Company, 1966). For some of the primary sources used for this study see also, Abraham H. Maslow, Motivation and Personality (New York: Appelton-Century-Crofts, Inc., 1953); Robert S. Woodworth, Dynamics of Behavior; Victor V. Vroom, Work and Motivation (New York: John Wiley & Sons, Inc., 1964); Mason Haire, Psychology in Management (New York: McGraw-Hill Book Company, 1964).

4 For an insight into the cognitive aspects of motivation see Max Black, ed., The Social Theories of Talcott Parsons (Englewood Cliffs, New Jersey: Prentice-Hall, Inc., 1961); Leon Festinger, A Theory of Cognitive Dissonance (Evanston, Illinois: Row Peterson, 1957); John A. Seiler, Systems Analysis in Organizational Behavior (Homewood, Illinois: Richard D. Irwin, Inc., and The Dorsey Press, 1967).

These contributions have produced models of human behavior that reflect its complexity and suggest the many variables which can affect it.⁵ Leadership or supervisory behavior has been identified as one of the key variables in organizational settings; consequently, the findings of the behavioral sciences with regard to the nature of leadership have also had an important impact on the development of management thought.⁶

A considerable amount of empirical evidence has been gathered with respect to the effect of the various types of leadership practices on motivation and the ultimate effect on human behavior.⁷

5 The models of human behavior discussed in this study are those presented by Leavitt, Litterer, and Seiler. See, Harold J. Leavitt, Managerial Psychology (Chicago: University of Chicago Press, 1964); Joseph A. Litterer, The Analysis of Organizations (New York: John Wiley & Sons, Inc., 1965); Seiler, Systems Analysis in Organizational Behavior.

6 See, Robert Tannenbaum, Irving R. Weschler and Fred Massarik, Leadership and Organization: A Behavioral Science Approach (New York: McGraw-Hill Book Company, 1961); Daniel Katz and Robert L. Kahn, The Social Psychology of Organizations (New York: John Wiley & Sons, Inc., 1966); Warren G. Bennis, Changing Organizations (New York: McGraw-Hill Book Company, 1966); Luigi Petrullo and Bernard M. Bass, eds., Leadership and Interpersonal Behavior (New York: Holt, Rinehart and Winston, Inc., 1961).

7 A great deal of research has been conducted in this area. Some of the more significant studies mentioned in this study are described and discussed in the following sources. Robert L. Kahn and Daniel Katz, "Leadership Practices in Relation to Productivity and Morale," in Group Dynamics, ed. by Dorwin Cartwright and Alvin Zander (Evanston, Illinois: Row Peterson and Company, 1960), pp. 554-70; Lester Coch and John R. P. French, Jr., "Overcoming Resistance to Change," Human Relations, 1(1948), 512-32; Nancy Morse and E. Reimer, "The Experimental Change of a Major Organizational Variable," Journal of Abnormal and Social Psychology, 52(1956), 120-9.

This evidence, combined with the conceptual schemes for management developed by the behavioral scientists, has been of great value for the design of management practices aimed at achieving significant advances in employee motivation.⁸ Democratic leadership, employee participation, employee autonomy, and the integration of individual and organizational needs are some of the salient concepts that are the focal point of contemporary interest.

Management by objectives reflects, to a large degree, many of the contributions of the behavioral sciences. It has become widely identified as an approach that will greatly facilitate the traditional functions of management. In particular, it is advocated as offering distinct advantages for the planning, control, appraisal, and improvement of organizational and individual performance.⁹

8 The conceptual approaches to management of particular interest to this study are those presented by McGregor, Argyris, and Likert. See, McGregor, The Human Side of Enterprise; Chris Argyris, Personality and Organization (New York: Harper & Brothers, Publishers, 1957); Rensis Likert, New Patterns of Management (New York: McGraw-Hill Book Company, 1961).

9 Many of the advantages are, of course, derived from the fact that the management practices recognize the nature of human behavior and are designed to avoid the dysfunctions that arise from the use of traditional methods. Nevertheless, some authors present the management by objectives approach in a relatively traditional framework. See, R. O. Boyce, Integrated Managerial Controls (London:

The varying perspectives and emphases of the different authors who have written on management by objectives has led to some confusion as to what actually constitutes a management by objectives approach and how its practices have incorporated the new concepts of human behavior. The term "management by objectives" was introduced into the literature by Drucker, who used it to refer to an approach to management that was characterized by the development of objectives throughout the organization and using these to permit managerial self-control and assessment.¹⁰ The phrase was borrowed by McGregor to describe a management philosophy aimed at motivating individuals by permitting them to satisfy their own personal needs while achieving organizational objectives.¹¹ The contemporary literature reflects many variations of these basic themes under the names of "results

Longmans, Green and Co. Ltd., 1967); Ernest Dale and L. C. Michelon, Modern Management Methods (Cleveland, Ohio: Cleveland World Publishing Company, 1966); and, Robert A. Howell, "A Fresh Look at Management by Objectives," Business Horizons, 10(Fall, 1967), 51-8.

10 Peter Drucker, The Practice of Management (New York: Harper & Row, Publishers, 1954).

11 Douglas McGregor, "The Human Side of Enterprise," in Management of Human Resources, ed. by Paul Pigors, Charles A. Meyers and F. T. Malm (New York: McGraw-Hill Company, 1964), pp. 55-61.

management", "goals management", or "management by results".¹² In total, they are essentially an identifiable approach to management which embraces a wide variety of managerial practices, many of which represent the new appreciation of human behavior contributed by the behavioral sciences.

Organization of the Study

This introductory chapter has stated the purpose and scope of the study to be undertaken, and has presented an overview of the topic area. Chapter II is directed toward an examination of the emerging theories of motivation and leadership, as well as the models of organizational behavior to which they have given birth. These theories have, however, raised certain issues as to the management practices best suited for employee motivation and organizational effectiveness. Therefore, Chapter III surveys the empirical research and the conceptual schemes that have attempted to examine issues of concern to management and that have provided management with a sound basis for developing an effective approach to management. In particular, the chapter focuses on the leadership practices that

12 See, Dale D. McConkey, How to Manage by Results (New York: American Management Association, 1965); Edward C. Schleh, Management by Results (New York: McGraw-Hill Book Company, Inc., 1961); Scanlan, Results Management in Action; Walter S. Wikstrom, "Management by Objectives or Appraisal by Results," The Conference Board Record, (July, 1966), 27-31.

have been found to produce behavior functional to the organization, the situational factors that influence the effectiveness of any particular leadership style, and the contemporary management practices that appear to facilitate employee motivation. Chapter IV is devoted to a detailed study of management by objectives and it seeks to present a comprehensive review of this approach to management through a survey of the available literature. As a framework for the review, the chapter uses the key aspects of management by objectives: planning with objectives, and the control and appraisal of performance. As a means of placing these aspects in perspective, Chapter IV opens with a discussion of the management by objectives approach in terms of the "management by objectives cycle". Chapter V summarizes the behavioral contributions to management that have been presented in the study, and it suggests the main practices, that were found to be associated with the management by objectives approach, which appear to be based upon these behavioral contributions. Finally, Chapter V presents a brief analysis of the fundamental bond between management by objectives and the theories of human motivation and leadership presented in the study.

CHAPTER II

THE THEORETICAL BASES OF MANAGEMENT BY OBJECTIVES

Introduction

The literature varies considerably in its emphasis on the different aspects of management by objectives. However, one of the most common themes which has emerged identifies it as an approach to the planning, control, appraisal, and improvement of individual and organizational performance.¹ Throughout the literature this theme is coupled with an implicit or explicit appreciation of the complexity of human behavior in organizations. In particular, many of the practices of the management by objectives approach appear to be based upon contributions from the behavioral sciences related to motivation and leadership.² This chapter is pointed toward an examination of

1 This theme is apparent in much of the literature on management by objectives. For example see, Odiorne, Management by Objectives, pp. 77-9; Batten, Beyond Management by Objectives, pp. 51-68; Hughes, Goal Setting, pp. 101-5; Scanlan, Results Management in Action, pp. 42-78; Simpkins, "Planning for Management by Objectives," 32-7.

2 Most authors have presented management by objectives as an approach to management based upon "new" concepts of organizational behavior. However, there is a considerable range of emphasis on this point. Much of the literature is based upon a conceptual scheme developed by McGregor who presented his management philosophy almost entirely in terms of motivation and leadership. See, McGregor, The Human Side of Enterprise; also, Douglas McGregor, Leadership and

the emerging concepts of motivation and leadership and the way in which they have expanded management's understanding of human behavior in organizations.

It is not difficult to appreciate why the behavioral sciences have contributed so much to the development of management theory. The behavioral scientist is primarily concerned with the study of why people behave as they do, and the manager considers this information vital for the development of effective managerial practices.³ In the past, an understanding of human behavior was based primarily on

Motivation, ed. by Warren G. Bennis and Edgar H. Shien (Cambridge, Mass.: M.I.T. Press, 1966). While there is almost universal agreement that the practices of management by objectives should lead to improved employee motivation, one author has faulted the literature for an over emphasis on this aspect. See, Howell, "A Fresh Look at Management by Objectives," 51.

³ Harold M. F. Rush, "What is Behavioral Science?" The Conference Board Record, 2(September, 1965), 35; "Behavioral Sciences -- What's in it for Management?" Conference Board Business Management Record (June, 1963), 32. The latter article reports on a round table discussion among top business executives and leading behavioral scientists.

A wide variety of articles discusses the trend for management to turn to the behavioral sciences in its search for solutions to organizational complexities and a deeper understanding of the human element. See, Gordon L. Lippitt, "Implications of the Behavioral Sciences for Management," Public Personnel Review, 27(1966), 184-91; H. A. Landsberger, "Behavioral Sciences in industry," Industrial Relations, 7(October, 1967), 1-19; Mason Haire, "Coming of Age in the Social Sciences," Industrial Management Review, 8(Spring, 1967), 109-18.

the manager's view of reality and the way in which he could order cause and effect. The behavioral sciences have altered this by providing him with empirical evidence of reality.⁴ Authors of contemporary literature on management and organizations seldom fail to refer to the importance the interdisciplinary contributions from the behavioral sciences have had on the development of new management concepts. Haberstroh has stated that "Behavioral science research has produced many new insights for the arts of organization and administration," and Likert has prefaced his latest work on a "science-based" management with the remark that, "research on leadership, management and organization, undertaken by the social scientists, provides a more stable body of knowledge than has been available in the past".⁵

The theory and research has moved along several dimensions but one of the most significant contributions for management by objectives has come from an expanded view of how individuals are motivated. Traditional management theory was based on the assumption

4 Douglas McGregor, The Professional Manager (New York: McGraw-Hill Book Company, 1967), pp. 4-30.

5 Haberstroh, "Organization Design and Systems Analysis," in Handbook of Organizations, p. 1171; Rensis Likert, The Human Organization (New York: McGraw-Hill Book Company, 1967), p. 1.

that organization members were primarily passive instruments, motivated only by economic incentives.⁶ This has now been transformed by various psychological theories of motivation.

These theories of individual motivation are, without much question, fundamental to a meaningful understanding of organizational behavior. Maslow's theory of motivation, and his heirarchical concept of human needs, is often referred to in connection with management by objectives.⁷ The concept of human needs for achievement, status, and recognition is closely allied to management thought, as is an awareness of the cognitive aspects of motivation.⁸

6 There are several critiques of traditional management concepts which point out, and elaborate on, the existence of this concept of human behavior. See, March and Simon, Organizations, pp. 12-33; Massie, "Management Theory," pp. 387-422.

7 Maslow, Motivation and Personality.

8 Most texts on management enter any discussion on motivation through a review of some of the salient needs which have been hypothesized for human beings. See, Richard P. Calhoun, Personnel Management and Supervision (New York: Appelton Century Crofts, 1967), pp. 190-206; Leonard R. Sayles and George Strauss, Human Behavior in Organizations (New York: McGraw-Hill Book Company, 1967), pp. 234-78. The cognitive aspects of motivation are not so widely discussed; however, they are explicitly recognized in some of the more theoretically oriented literature. See, March and Simon, Organizations; Festinger, A Theory of Cognitive Dissonance; Seiler, Systems Analysis in Organizational Behavior.

However, behavioral science research has been marked by an increasing concern for the organization as a whole, rather than with individuals alone. There appears to be a developing emphasis on organization dynamics and situational models.⁹ Models of human behavior, such as those developed by Litterer and Seiler, have enabled management to visualize the relationship between motivation and behavior. Furthermore, it is these models that provide the conceptual link between the internal psychological attributes of the individual and the environmental features of his organizational "situation" that also influence his behavior.¹⁰

9 W. W. Cooper, H. J. Leavitt and M. W. Shelly, II, eds., New Perspectives in Organization Research (New York: John Wiley & Sons, Inc., 1964), pp. 2-9. The importance of the "situation" appears to be a recurrent and dominant theme in the contemporary literature whether it deals with organizations, organizational behavior, or management practice. It is evident in the conceptual schemes of such grand theorists as Parsons; see, Black, The Social Theories of Talcott Parsons. It is a prominent feature of some models of organizational behavior; see, Seiler, Systems Analysis in Organizational Behavior. In the management literature, the importance of "situational thinking" and the trend toward an emphasis on "managers of situation" has been pointed out by various authors. See, Paul Pigors and Charles A. Meyers, Personnel Administration (New York: McGraw-Hill Book Company, 1965); George S. Odiorne, "A Management Style Change for the Sixties," Readings for a Seminar on Management by Objectives, Toronto: York University, Faculty of Administration Studies; H. Lawrence Hall, "Management: A Continuum of Styles," Advanced Management Journal, 33(January, 1968), 68-74.

10 Litterer, The Analysis of Organizations; Seiler, Systems Analysis in Organizational Behavior.

Leadership has emerged as one of the most important of the environmental factors influencing behavior, and the literature on management by objectives has widely recognized its importance.¹¹

The contemporary themes that leadership is a form of behavior involving an exercise of influence, and that effective leadership is a function of many situational factors, are important ones for understanding organizational behavior.¹² Therefore, as a first step toward an appreciation of the behavioral aspects of management by objectives, this chapter will not only examine the concepts of motivation and leadership, but also the associated models of human behavior.

11 For an opinion that leadership is, in essence, influential behavior see, David G. Bowers and Stanley E. Seashore, "Predicting Organizational Effectiveness with a 4-Factor Theory of Leadership," Administrative Science Quarterly, 11(1966-67), p.240; Katz and Kahn, The Social Psychology of Organizations, pp. 300-3; Tannenbaum, Weschler and Massarik, Leadership and Organization: A Behavioral Science Approach, p. 24. The situational aspect of leadership is emphasized by many authors. See, Douglas McGregor, "An Analysis of Leadership," in Leadership and Motivation, pp. 73-4; Robert Dubin, et al., Leadership and Productivity (San Francisco, California: Chandler Publishing Company, 1965), pp. 46-50; Fred E. Fiedler, "Styles of Leadership," in Current Perspectives in Social Psychology, ed. by Edwin P. Hollander and Raymond G. Hunt (New York: Oxford University Press, 1967), pp. 498-504.

12 There is a general acceptance of the fact that organizational leadership is an extremely important feature in the motivation of employees. See, Victor H. Vroom, Motivation in Management (n.p.: American Foundation for Management Research, 1965), p. 40; Litterer, The Analysis of Organizations, pp. 37-8.

Motivation

The term motivation is used by psychologists to refer to an organismic state that mobilizes activity and is somehow selective with respect to the environment.¹³ Thus, motivated behavior is voluntary behavior, and the central problem of motivation is the explanation of the choices which are made among different voluntary responses.¹⁴ In their search for an understanding of human behavior, psychologists have developed many theories of motivation. Over the years the search has led them in many directions; and, as Gellerman has pointed out, the various theories do not yet fit into a neat theoretical package.¹⁵ The theories have, however, developed generally around the concept of motives and the different means of distinguishing among them or classifying them.

The proliferation of human needs as possible motivators of behavior has prompted such comments as "just as there are endless numbers of motives, psychologists have endless systems of classification for them."¹⁶ However, a common denominator that emerges is a

13 Julius Gould and William L. Kobb, eds., A Dictionary of the Social Sciences (Toronto: Collier-Macmillan Canada Ltd., 1964), pp. 447-8.

14 Victor V. Vroom, Work and Motivation (New York: John Wiley & Sons, Inc., 1964), p.9.

15 Saul W. Gellerman, Motivation and Productivity (New York: American Management Association, 1963), p. 103.

16 William G. Scott, Organization Theory: A Behavioral Analysis for Management (Homewood, Illinois. Richard D. Irwin, Inc., 1967), p. 73. See, Henry A. Murray, Exploration in Personality

distinction between physiological needs and those needs which are personal or social in character.¹⁷

The early theoretical and empirical work in motivation was derived from the concept of "hedonism", which held that behavior was directed toward pleasure and away from pain; consequently, it focused primarily on the physiological needs of human beings as the basic sources of motivation.¹⁸ These natural or innate needs were

(New York: Oxford University Press, 1938). Various systems for classification have been proposed. One of the earlier and often cited systems was suggested by Murray. He distinguished between two classes of human needs, the viscerogenic or physiological needs and the psychogenic needs. This system included twenty-eight of the latter including such as affiliation, independence, achievement, etc. See also, Scott, Organization Theory, p. 74. Scott has referred to a system which differentiates among "basic drives", "primary Motives" which are both psychological and social, and "derived Motives" which he viewed as products of the primary motives. See also, Haire, Psychology in Management, p. 29. Haire has made reference to a system he attributed to Langer which reduced the range of needs to those which are social, physical and egoistic.

17 Most introductory texts on psychology make this distinction. See, Ernest R. Hilgard and Richard C. Atkinson, Introduction to Psychology (New York: Harcourt, Brace & World, Inc., 1967), pp. 118-62; L. Dodge Fernald and Peter S. Fernald, Overview of General Psychology (New York: Houghton Mifflin Company, 1966, pp. 92-106.

18 O. H. Mower, "Motivation," Annual Review of Psychology, 3(1952), p. 419; Vroom, Motivation in Management, p. 8; Vroom, Work and Motivation, pp. 9-10.

considered to appear irrespective of the individual's past experience, and the general formula for behavior was closely associated with the mechanisms of learning and habit formation.¹⁹ The motives which were not directed toward the reduction of an organic need were explained in terms of acquired or transformed motives.²⁰ Whatever the process suggested by the psychologists who approached motivation largely through "stimulus-response" psychology, it has become increasingly difficult to describe motivated behavior in terms of motives that can be correlated with physiological drives.²¹ This has led to various other theories which have focused on motives that are primarily

19 C. L. Hull, Essentials of Behavior (New Haven, Connecticut: Yale University Press, 1951). Hull presented a theory in which he considered the innate drives to be non-directive. The direction for behavior came only as the result of learning and habit formation. The reduction of the need was considered to be the primary reinforcement to the learning process.

20 S. Freud, A General Introduction to Psycho-Analysis (New York: Liveright Publishing Corp., 1935). One of the challenging problems for the theories of motivation was to trace the apparent motives of everyday life to some organic need. Freud considered all motives to be derived from love and hate and he suggested the concept of "sublimation" to explain them. It was essentially a defense mechanism whereby socially unacceptable motives were transformed into acceptable ones. See also, Hull, Essentials of Behavior. An explanation more in line with the learning process was suggested by Hull. He called upon the idea of "secondary reinforcement" through which a habit mechanism acquires a secondary incentive value of its own. See also, G. W. Allport, Personality (New York: Henry Holt and Company, 1937). Allport proposed that motives become so far removed from the original innate drives that they are essentially "functionally autonomous."

21 Mower, "Motivation," p. 423.

egoistic and social.²² The egoistic motives have been identified by Haire as "the things that are satisfied when one can give a satisfactory answer to the question, 'Who am I?' ... Egoistic motives are satisfied by recognition, by status signs, by being able to tell others what to do."²³ These are the motives that the literature has identified as the need for accomplishment, responsibility, autonomy, power, and achievement to name only a few.²⁴

It is easy to appreciate the interest of managerial psychology in the various egoistic needs. For instance, McClelland's work on achievement motivation has demonstrated that those with high achievement motivation tend to demand more from themselves and to prefer positions of responsibility.²⁵ White's study of the competence motive has indicated that people want to be able to make things happen, to be

22 Woodworth, Dynamics of Behavior. Woodworth proposed a "behavior-primacy" theory as opposed to Hull's type of "need-primacy" theory which suggested that an organism must learn to deal with its environment. In order to do so it must have motives relating to activity and investigation.

23 Haire, Psychology in Management, p. 32.

24 Sayles and Strauss, Human Behavior in Organizations, pp. 12-8; Vroom, Motivation in Management, pp. 15-28.

25 McClelland, et al., The Achievement Motive. For a discussion of McClelland's work from a managerial perspective see, Gellerman, Motivation and Productivity, pp. 111-41; Vroom, Motivation in Management, pp. 15-28.

creative rather than passive.²⁶ From a management point of view these are important aspects of human behavior.

While the various motives or needs are themselves significant, individual consideration of them represents a somewhat fragmented approach to human behavior. This fact has led some to express the need for considering the organization of motives within the individual as a prerequisite to a fuller understanding of human behavior.²⁷ Maslow's theory of motivation met this requirement with its hierarchical concept of human needs, and the theory has received a great deal of attention, particularly in the management literature.

The concept of an organization of motives is fundamental to this theory. Maslow wrote that "the chief principle of organization in human motivational life is the arrangement of needs in a hierarchy of less or greater priority or potency."²⁸ In ascending order, the hierarchical classification he suggested was: physiological needs, safety needs, esteem needs and, at the pinnacle of the hierarchy,

26 Robert N. White, "Motivation Reconsidered: The Concept of Competence," in Current Perspectives in Social Psychology, pp. 53-60.

27 Sigmund Koch, "The Current Status of Motivational Psychology," The Psychological Review, 58(May, 1951), p. 152. In a review of the status of motivational psychology at the turn of the mid century, Koch identified one of the problems facing it as the necessity to develop descriptive tools to represent the organization of needs in personality. See also, Hilgard and Atkinson, Introduction to Psychology, p. 157. Hilgard and Atkinson also considered this as one of the problems facing psychologists.

28 Maslow, Motivation and Personality, p. 107.

the need for self-actualization.²⁹

Maslow felt that the physiological drives of an individual, which are usually taken as the starting point for theories of motivation, would claim first priority for satisfaction. On the basis that an organism is basically a "safety-seeking mechanism", he pointed to the need of the individual for a safe, orderly and predictable world as those that would emerge next for satisfaction. Once an individual's physiological needs are satisfied, and he is no longer concerned for his physical welfare or safety, the belongingness and love needs, or social needs as others have called them, become predominant. The esteem needs Maslow identified as the need for self-esteem and the esteem of others. Thus, he visualized two subsets of esteem needs: those which relate to one's self-esteem, such as self-confidence, independence, and achievement; and those which relate to one's reputation, such as status, recognition, and appreciation. Finally, "even if all these needs are satisfied, we may still often ... expect that a new discontent and restlessness will soon develop."³⁰ This Maslow attributed to the existence of a need for self-actualization.

29 Ibid, pp. 80-106.

30 Ibid., p. 91.

The basic premise in Maslow's theory is that once a need has been satisfied it ceases to be a motivator. Consequently, as the needs represented in each level of the hierarchy are satisfied, the next level becomes instrumental in motivating the individual. "The basic consequence of satisfying a need is that it is submerged and a new and higher need emerges."³¹ Thus, the ultimate motivation for an individual is the need for self-actualization.

The concept of self-actualization is widely used in the literature on motivation and in the new theories of management; yet, it appears rather nebulous at times. Different sources even attribute its origin to different authors. Maslow indicated the term was first coined by Kurt Goldstein, while Hilgard and Atkinson attributed it to Carl Jung.³² In its original usage, it meant the development of the full individuality of the person, with all parts in harmony; however, Maslow indicated that he, himself, used it in more of a specific and limited fashion to refer to a man's desire for self-fulfillment.

Another major contemporary approach to motivation centers around the group of psychologists who, although they accept the

31 Ibid., p. 108.

32 Ibid., p. 91; Hilgard and Atkinson, Introduction to Psychology, p. 159.

empirical evidence from stimulus-response psychology, advocate cognitive theories of behavior. Within the scope of these theories, the individual is assumed to have beliefs and expectations concerning the world around him.³³

Values and beliefs have been valuable concepts for the sociologists, so it is not surprising that the integration of values into motivation through individual cognition has had significant contributions from that discipline. In particular, the concept was one of the many aspects of the social theories of Parsons. Black, who attempted to extract some of Parson's basic assumptions from his prolific theoretical work, pointed out that Parsons considered all human action to be relational in the sense that it is a function of the individual's innate needs, his acquired orientations, and the particular situation.³⁴ In short, Parsons viewed all human response to stimuli to have two distinct dimensions: "cognitive" and "cathectic". The former relates to the individual's perceptions and beliefs, while the latter is associated with the satisfaction of

33 Vroom, Work and Motivation, pp. 13-4; Hilgard and Atkinson, Introduction to Psychology, pp. 155-6. Cognitive theories of motivation have been singled out as distinguishable from the other approaches to motivation.

34 Max Black, "Some Questions about Parsons' Theories," in The Social Theories of Talcott Parsons, p. 272.

personal needs. Williams was similarly concerned with distinguishing clearly between needs and values and their respective roles in motivated social action.³⁵ He recognized needs as basic drives, but he argued that values must be regarded as much more than needs. "Values," he wrote, "are abstractions drawn from the flux of the individual's immediate experience."³⁶ These socially acquired values are the basis for a large segment of human behavior and appear to constitute a large part of what Parsons has called the individual's acquired orientation. The cognitive aspects of motivation, emphasized by Festinger, focused more on the role of perception in cognition.³⁷ The elements of cognition are, according to Festinger, "the things a person knows about himself, about his behavior, and about his surroundings."³⁸ In this conceptualization of cognition, the individual's knowledge of himself can be broadly conceived as his "self-reference." On the basis of this concept, Festinger developed a theory that "cognitive dissonance" has a considerable motivational effect. On the assumption that there is an inherent desire in people to be consistent, he suggested that people will act in such a way as to reduce any discrepancy between the way they see themselves

35 Robin M. Williams, Jr., American Society (New York: Alfred A. Knopf, 1951), pp. 372-442.

36 Ibid., p. 374.

37 Festinger, A Theory of Cognitive Dissonance.

38 Ibid., p. 9.

and the way in which they feel others see them.³⁹ The extension of the drive for consistency to individuals in organizational situations, suggests that there is an inherent desire and need for people to develop consistent ideas about the way in which others react and behave. In short, people tend to develop expectations about the way in which others will behave.⁴⁰

In total, the theories of motivation have contributed several basic assumptions concerning human behavior. These can be summarized as:

- 1 Behavior is caused and does not occur by chance;
- 2 The direction of behavior is always toward some goal;
- 3 The attainment of the goal satisfies or reduces a need, either psychological or physiological;
- 4 The concept of needs implies that every individual has a hierarchy of needs that is always the same;

39 Leon Festinger, "The Motivating Effect of Cognitive Dissonance," in The Cognitive Processes, ed. by Robert J. C. Harper, et al. (Englewood Cliffs, New Jersey: Prentice-Hall, Inc., 1964), pp. 509-38.

40 Seiler, Systems Analysis in Organizational Behavior, pp. 88-91. The subject of expectations and other forms of dissonance problems is discussed by Seiler. See also, Edward E. Sampson, "Status Congruence and Cognitive Consistency," Sociometry, 26(June, 1963), 146-62.

- 5 Depending upon the situation, different patterns of needs may emerge;
- 6 When each level is satisfied, higher aspiration levels come into play that motivate the individual to satisfy the needs; and,
- 7 All behavior is based on the world as it is seen by the behaving individual. The environment generally presents an ambiguous stimulus and he must make sense of it before he strives for the goal.⁴¹

However, one of the problems for management has been how to conceptualize these assumptions concerning human behavior in terms of organizational behavior. It is in this area that the models developed by the behavioral scientists have been of great importance.

Models of Organizational Behavior

The assumptions of causality, motivation and direction have been integrated by Leavitt into a basic model in which the stimulus acts to motivate a person toward goal directed behavior designed to satisfy some need or want.⁴² However, Katz and Kahn have warned

41 This summary represents a compilation of assumptions concerning human behavior from different sources. See, Haire, Psychology in Management, pp. 59-60; Litterer, The Analysis of Organizations, pp. 21-40.

42 Leavitt, Managerial Psychology, pp. 5-12.

against a behavioral model of individual motivation which simply assumes that the motivational process involves internal drives or tension states within the individual. They feel that an adequate model to describe and account for human behavior in organizations should focus on how the larger aspects of structure affect the individual and on the perceptions and attitudinal variables of individuals.⁴³ This position coincides closely to Parsons' "relational concept" of human action described earlier.⁴⁴

In line with this emphasis, Litterer has used the concept of "evoked set", and Maslow's theory of motivation, to suggest a model in which the stimulus is modified by the cognitive aspects of the individual.⁴⁵ This model is similar to Leavitt's model, in that the attainment of the objective results in the satisfaction of a need. In line with Maslow's theory, this provides a new stimulus by moving the individual to a higher level of needs satisfaction.

A third model has recently been provided by Seiler which

43 Daniel Katz and Robert L. Kahn, "Some Recent findings in Human Relations Research in Industry," in Readings in Social Psychology, ed. by Guy E. Swanson et al. (New York: Henry Holt and Company, 1952), pp. 650-65.

44 See page 23.

45 Litterer, The Analysis of Organizations, p. 25. The concept of an "evoked set" is used by March and Simon to represent that part of an individual's internal state or memory that is influencing his behavior at any given time. See, March and Simon, Organizations, pp. 9-11.

approximates more closely the one called for by Katz and Kahn.⁴⁶ His model for describing human behavior recognizes the predispositions the individual brings with him to the organization and also the situational factors that "engage or arouse behavioral tendencies toward overt expression".⁴⁷ In summary, Seiler suggests that actual behavior is a product of four factors or inputs; human, technological, social and organizational. An analysis of the human inputs for Seiler's model has been provided by Bunker, who identified a) the individual's cognitive system which includes his perceptions, beliefs, ideas, and expectations that mediate his perception of the real world; b) the enduring motives of the individual; and c) the values of the individual which are used to assess the "goodness" of any act or object.⁴⁸

It is apparent that these models provide ample support for those who take the position that leadership is an important factor in motivating and otherwise determining organizational behavior. In fact, Litterer expanded his model, from what was described earlier, to include leadership as one of the key variables affecting behavior.

46 Seiler, Systems Analysis in Organizational Behavior.

47 Ibid., p. 71.

48 Douglas R. Bunker, "Human Inputs," in Systems Analysis in Organizational Behavior, pp. 51-74.

Commenting on this point, he wrote:

The leader can give an order as a stimulus for his subordinates. He can also, through learning, have an influence on the total fund of knowledge a person has and from which the evoked set of stimuli will be drawn. The leader can also influence what the person sees as probable consequences of various courses of action...Viewed in this fashion it is easy to see that the supervisor has multiple ways of influencing subordinate behavior.⁴⁹

Other authors have also noted the importance of supervisory behavior or leadership on motivation. For instance, Bass has suggested that the manner in which a supervisor influences the way his subordinates set their goals, is a prime factor affecting motivation; also, Katz and Kahn have pointed to the way in which a supervisor is able to integrate the needs of the organization and its members as a key element in employee motivation.⁵⁰ Thus, the nature of leadership is

49 Litterer, The Analysis of Organizations, pp. 37-8.

50 Bernard M. Bass, Organizational Psychology (Boston, Mass.: Allyn and Bacon, Inc., 1965), p. 141; Katz and Kahn, The Social Psychology of Organizations, p. 321. The position that leadership is one of the key factors influencing organizational behavior is widely held. Vroom has stated, "The view that people's motivation to perform their jobs is influenced by their relationship with their supervisors or managers is widely accepted." See, Vroom, Motivation in Management, p. 40. For additional material supporting this viewpoint see, James V. Clark, "Motivation and Work Groups: A Tentative View," Human Organizations, 19(Winter, 1960-61), 199-208; March and Simon, Organizations, p. 82.

of particular interest to this study and it is examined in the following section.

Leadership

The concept of leadership is not an easy one to describe with certainty or finality. In fact, Bennis has expressed the opinion that "of all the hazy and confounding areas in social psychology, leadership undoubtedly contends for top nomination."⁵¹ Leadership has had a wide variety of definitions; and, over the years, the theories of leadership have ranged from great man theories to those that suggest that leadership is diffused throughout the group.⁵² While each of the earlier theories appeared to stress one factor, such as personality traits, situational determinants or culture,

51 Warren G. Bennis, "Leadership Theory and Administrative Behavior: The Problem of Authority," Administrative Science Quarterly, 4(December, 1959), 259.

52 Fiedler has listed ten different definitions of leadership from various authors to demonstrate this variety. For example some of the definitions are; "Leadership is the exercise of authority and the making of decisions; the leader is one who initiates and facilitates member interaction; leadership is the process of influencing group activities toward goal setting and group achievement." See, Fred E. Fiedler, A Theory of Leadership Effectiveness (New York: McGraw-Hill Book Company, 1967), pp. 7-8.

Petrullo has observed that each of these now seems to be but one item in a complex concept of leadership.⁵³ This complex concept appears to be emerging in the contemporary literature with one or two identifiable dimensions. First of all it is being considered as a form of behavior; secondly, it is viewed as a form of behavior that represents an exercise of incremental influence; and finally, there is an increasing emphasis on the opinion that the most effective way of exercising the influence, that is the leadership style, depends upon many situational factors.

In a recent overview of the development of leadership theory, Bower and Seashore drew the conclusion that the accumulated empirical knowledge inevitably points to leadership as a form of behavior.⁵⁴ Similarly, Katz and Kahn have concluded, from a review of the literature, that leadership has appeared with three major meanings, one of which

53 Luigi Petrullo, "Introduction," in Leadership and Interpersonal Behavior, ed. by Luigi Petrullo and Bernard M. Bass (New York: Holt, Rinehart and Winston, Inc., 1961), p. xii. For summaries of the trends in the concepts of leadership see, C. L. Shartle, Executive Performance and Leadership (Englewood Cliffs, New Jersey: Prentice-Hall Inc., 1956); C. A. Gibb, "Leadership," in Handbook of Social Psychology, Vol. 2, ed. by Gardner Lindzey (Cambridge, Mass.: Addison-Wesley Publishing Company, Inc., 1954), pp. 877-920. Alvin W. Gouldner, Studies in Leadership (New York: Russel & Russel, Inc., 1950), pp. 3-49.

54 Bowers and Seashore, "Predicting Organizational Effectiveness with a 4-Factor Theory of Leadership," 240.

is that it is a category of behavior.⁵⁵ The means of categorizing this behavior rests upon the degree of influence that is involved. Katz and Kahn also found a common approach to the definition of leadership that rested upon viewing it as a differential exertion of influence. This led them to describe leadership in terms of a continuum on which any supervisor-subordinate relationship could be positioned depending upon the amount of influence involved. They supported this concept by stating:

We consider the essence of organizational leadership to be the influential increment over and above mechanical compliance with the routine directives of the organization.⁵⁶

Similarly, Tannenbaum defined leadership in terms of "interpersonal leadership", and the concept of influence has featured prominently in the leadership concepts of Stogdill and Bennis.⁵⁷

The importance of influence in the leadership process has drawn attention to the various concepts of social influence, including power and authority. Influence is most often considered as the

55 Katz and Kahn, The Social Psychology of Organizations, p. 301. The other two meanings that they found were; leadership is an attribute of a position and it is the characteristic of a person.

56 Ibid., p. 302.

57 Tannenbaum, Weschler and Massarik, Leadership and Organization: A Behavioral Science Approach, p. 24; Stogdill looked at leadership in terms of influencing group activities. See, Ralph M. Stogdill, "Leadership, Membership and Organization," Psychological Bulletin, 47(January, 1950), p.4; Bennis viewed leadership in terms of "inducing" subordinates to behave in a desired manner. See, Bennis, "Leadership Theory." 261.

capacity to "evoke compliance without relying upon formal role or the sanctions at its disposal."⁵⁸ If reliance is, however, placed upon the formal role, then the compliance is the result of the leader's use of authority. The ideal of power relates more to the potential aspect of influence or authority. Katz and Kahn have referred to power as the "capacity to exert influence"; Etzioni has termed it the ability to influence others.⁵⁹

There are various sources of power in social organizations, and the type of power behind the influence being used in any leadership situation is significant in that it affects the nature of the subordinate's behavior.⁶⁰ Different types of power have been identified; however, the

58 Robert V. Presthus, "Authority in Organizations," in Concepts and Issues in Administrative Behavior, ed. by Sydney Mailick and Edward H. Van Ness (Englewood Cliffs, New Jersey: Prentice-Hall, Inc., 1962), p. 123.

59 Katz and Kahn, The Social Psychology of Organizations, p. 220; Amitai Etzioni, "Leaders Control and Member's Compliance," in Organizations and Human Behavior, pp. 81-5. For an expression of views which reflect these concepts of influence, authority and power see also, Herbert A. Simon, Administrative Behavior (New York: Free Press, 1957), pp. 125-34.

60 A distinction is often made between influence and authority in terms of the base of power being used. For example, authority is based largely on the use of legitimate power and reward power. Influence draws more upon referent or expert power. Therefore leadership and control can be thought of in terms of the type of influence being used. See, Dorwin Cartwright, "Influence, Leadership, Control," in Handbook of Organizations, pp. 12-3. The type of influence used in the leadership process is important because it affects the nature of member involvement. See, Etzioni, "Leaders Control," pp. 82-3; Cartwright, "Influence, Leadership, Control," pp. 24-8.

differentiation offered by French and Raven has received wide acceptance.⁶¹ The types of power they suggested were: reward power, coercive power, legitimate power, referent power, and expert power. In their view, reward power and coercive power are somewhat similar, in that they depend upon the subordinate's belief that his superior has the ability to mediate rewards and punishments. Legitimate power stems mainly from the internalized values of the subordinate, which dictate that he is obliged to accept his superior's influence. Referent power is based upon an identification with the superior, while expert power is based on the subordinate's belief that his superior has a special expertise.

It is apparent that, in most cases, a supervisor or manager would have most, if not all, of these bases of power. Therefore, one question of importance lies with the choice of the type of influence the

61 John R. P. French, Jr., and Bertram H. Raven, "The Bases of Power," in Current Perspectives in Social Psychology, pp. 504-12.

manager should use. Golembiewski has pointed out that the various concepts are not mutually exclusive and should all be used in such a way that they are congruent.⁶² The one salient point that does emerge from the literature is that different situations may well require different types of influence, or mixtures of influences - that is, different leadership behavior. This is the theme of several authors such as Dubin, Fiedler, Hollander, Tannenbaum, and McGregor.⁶³ For instance, Dubin reached the general conclusion that supervisory practice must be appropriate to the type of organization the supervisor is in; technology was one of the major environmental factors that Dubin focused upon. Effective supervisory practice on an assembly line is not, he maintained, necessarily effective in a production process resembling a unit technology.⁶⁴ Similarly, McGregor recognized the importance of the characteristics of the organization and the environment for leadership; however, he also included the characteristics of the leader and the

62 Robert T. Golembiewski, "Authority as a Problem in Overlays: A concept for Action and Analysis," Administrative Science Quarterly, 9(1964-65), 23-49.

63 Dubin, Leadership and Productivity, pp. 1-50; Fiedler, "Styles of Leadership," pp. 498-504; Edwin P. Hollander, "Leadership, Innovation and Influence," in Current Perspectives in Social Psychology, pp. 485-92; Tannenbaum, Weschler and Massarik, Leadership and Organization, p. 24; McGregor, "An Analysis of Leadership," p. 73.

64 Dubin, Leadership and Productivity, p. 47.

attitudes, needs, and personal characteristics of the followers as important factors to consider in the leadership process.⁶⁵

Summary

In recent years, the social sciences have made significant contributions to management. The theories of human motivation and leadership have been of particular significance. They have provided management theory with a new basis for understanding human behavior and appreciating the nature of leadership.

The knowledge that human behavior is directed toward the satisfaction of many human needs, not only the basic or physiological ones, has forced management to appreciate the complexity of human behavior. The needs have taken on new importance. The heirarchical concept of these needs provided by Maslow has given management a theoretical framework for visualizing the manner in which an individual attends to his need satisfactions. The assumption that it follows a pattern in which progressively higher levels of needs are satisfied in a sequential manner and that once a need has been satisfied it is no longer a motivator, has profound implications for management.

65 McGregor, "An Analysis of Leadership," pp. 73.

An appreciation of the full complexity of human behavior must, however, go beyond the range and structure of human needs. It must also encompass the cognitive aspects of the individual which mediate between his environment and his innate needs. The values, beliefs and perceptions of individuals have been recognized as important factors in motivated behavior.

These contributions have led to several basic assumptions concerning human behavior and these, in turn, have been translated into models of human behavior. In essence, the models visualize that individuals strive for goals or objectives which, when satisfied, result in the stimulus for further goal oriented behavior. The behavior is, however, viewed not only as a function of the human variables of the individual, but also other situational variables in the individual's environment. In organizational situations, managerial practices are important features of the environment; consequently, they play a large role in determining organizational behavior.

Leadership has been singled out as one of the key environmental variables and the nature of leadership has been a focus of attention for the behavioral sciences. Although, there has been a wide variety of leadership theories, the contemporary approach has tended to view it as a form of behavior, characterized by an exercise of influence. The type and degree of influence has been suggested as the main variables distinguishing different leadership behaviors.

However, emphasis has been placed on the fact that no one leadership approach should be considered as universally acceptable. The nature of the situation appears as the determining factor.

These theoretical considerations have raised several important issues for both the behavioral scientists and management.

Three of the key issues are:

- a) Since leadership represents one of the main factors determining organizational behavior, what leadership and supervisory practices are best suited for producing behavior functional for the organization?
- b) In view of the situational nature of effective leadership, what situational factors are important in determining the most appropriate leadership style?
- c) In the light of the emerging theories of motivation, what is the relationship between managerial practices of today and employee motivation; and, how can management best direct the motivational drive inherent in individuals toward the achievement of organizational objectives?

These issues have become fundamental to management thought, and they have served as the focus for empirical research and development of conceptual schemes by the behavioral scientists. The following

chapter reports on the findings and contributions that have been produced. In particular, it surveys the research on effective leadership, its situational determinants, and the motivational effect of management practices.

CHAPTER III

THE EMPIRICAL AND CONCEPTUAL FOUNDATIONS
FOR MANAGEMENT BY OBJECTIVES

Introduction

The empirical research and conceptual schemes of relevance for management by objectives have centered around themes closely associated with the issues mentioned at the conclusion of the previous chapter. Therefore, the purpose of this chapter is to survey the findings of some of the research that has sought to examine the issues and to discuss related conceptual schemes for management, that have been formulated by a number of behavioral scientists.

A number of studies have provided some insight into the supervisory practices best suited for the management of organizations.¹

¹ A series of studies at the University of Michigan examined the relationship between these aspects of supervision and productivity and morale. These studies are widely reported in the literature. See, Kahn and Katz, "Leadership Practices in Relation to Productivity and Morale," pp. 554-70; Gellerman, Motivation and Productivity, pp. 32-47; Robert L. Kahn, "Productivity and Job Satisfaction," Personnel Psychology, 13(1960), 275-87. There appears to be a close link between the studies examining autonomy and participation as one of the aspects of autonomy is often considered to be the employee's participation in the planning, control and decision making processes of the organization. Two landmark studies in this area are; Coch and French, "Overcoming Resistance to Change;" and, Morse and Reimer, "The Experimental Change of a Major Organizational Variable." For

Therefore, this chapter offers a review of some of the research findings in this area. In general, the studies have examined the relationship between such variables as employee behavior or organizational effectiveness, and leadership practices that permit employee participation in management, employee autonomy, and superior-subordinate communications. Approaches to management based on these and similar studies have been formulated by behavioral scientists, such as Likert and Blake and Mouton, and represent a significant application of the behavioral sciences to management practice.² A brief review is also presented of some of

other studies on these and other themes see, Robert C. Day and Robert L. Hamblin, "Some Effects of Close and Punitive Styles of Supervision," in Organizations and Human Behavior, pp. 172-82; Lois C. Marshall and Patricia Cain Smith, "Group Decision and Employee Participation," The Journal of Applied Psychology, 39(1955), 334-7; J. R. P. French, Jr., E. Kay and H. H. Meyer, "Participation and the Appraisal System," Human Relations, 19(1966), 3-20; Alfred J. Marrow, David G. Bowers and Stanley E. Seashore, Management by Participation (New York: Harper & Row, Publishers, 1967); D. G. Bowers and S. E. Seashore, Changing the Structure and Functioning of an Organization (Ann Arbor: University of Michigan, 1963); M. W. Pryer and B. M. Bass, "Some Effects of Feedback on Behavior in Groups," Sociometry, 22(1959), 56-63.

2 The major references for Likert are; Likert, New Patterns of Management; Rensis Likert, The Human Organization: Its Management and Value. Various articles are: Rensis Likert, "A Motivational Approach to a Modified Theory of Management," in Modern Organization Theory, ed. by Mason Haire (New York: John Wiley & Sons, Inc., 1959), pp. 184-217; Rensis Likert, "Motivation: The Core of Management," in Management of Human Resources, pp. 62-75. Robert Blake and Jane S. Mouton, The Managerial Grid (Houston, Texas, Gulf Publishing Company, 1964).

the empirical studies and conceptual points of view that have examined and discussed the situational nature of effective leadership.³ The intention is to focus upon some of the situational factors that can affect a particular leadership style.

Finally, this chapter looks at the managerial practices of to-day, and employee motivation. In particular, it reviews the way participation in the managerial process is thought to improve employee motivation.⁴ The conceptual schemes contributed by McGregor and Argyris point to management's role in providing an organizational structure and atmosphere in which the employees can find need satisfaction. The authors offer management a conceptual premise that one of the fundamental means of directing human behavior toward

3 For some empirical studies see, R.A. Katzell, R.S. Barrett and T.C. Parker, "Job Satisfaction, Job Performance, and Situational Characteristics," Journal of Applied Psychology, 65(1961), 65-72; Victor H. Vroom and Floyd C. Mann, "Leadership Authoritarianism and Employee Attitudes," Personnel Psychology, 13(1960), 125-40; Donald C. Pelz, "Influence: A Key to Effective Leadership in the First-Line Supervisor," Personnel, 29(1952), 209-17. For a conceptual presentation see, Rensis Likert, "Effective Supervision: An Adaptive and Relative Process," Personnel Psychology, 11(1958), 317-32; Charles A. Meyers, Personnel Administration (New York: McGraw-Hill Book Company, 1965), pp. 213-35.

4 Aaron Lowin, "Participative Decision Making: A Model, Literature Critique, and Prescriptions for Research," Organization Behavior and Human Performance, 3(1968), 68-106; Martin Patchen, "Participation in Decision Making and Motivation: What is the Relation?" Personnel Administration, 27(November-December, 1964), 24-31; B. Alpert and Patricia Smith, "How Participation Works," Journal of Social Issues 5(1949), 3-13.

the attainment of organizational goals is to ensure that there is congruency between these goals and the goals of the individual.⁵

The concept of management that has emerged from these contributions from the behavioral sciences represents, as will be seen in Chapter IV, a significant aspect of what has come to be known as management by objectives. In terms of the issues raised above, it is

5 Rubenstein and Haberstroh have specifically singled out McGregor and Argyris as two authors who have attempted to apply psychological theories of motivation to organizational behavior. They linked McGregor's work to Maslow's theory of motivation and Argyris with the theories that relate primarily to the development of personality and the fulfillment of the individual's self-needs. See, Albert H. Rubenstein and Chadwick J. Haberstroh, Some Theories of Organization (Homewood, Illinois: Richard D. Irwin, Inc., and The Dorsey Press, 1966), pp. 167-75. For the approach to management advocated by McGregor, see, McGregor, "The Human Side of Enterprise," This paper was first published in 1957. McGregor developed his management philosophy in greater detail in his book by the same name. See, McGregor, The Human Side of Enterprise. Argyris has presented his conceptual schemes and research in a variety of books and articles. See, Argyris, Personality and Organization; Chris Argyris, Understanding Organizational Behavior (Homewood, Illinois: Dorsey Press, 1960); Chris Argyris, Integrating the Individual and the Organization (New York: John Wiley & Sons, Inc., 1964); Chris Argyris, Interpersonal Competence and Organizational Effectiveness (Homewood, Illinois: Richard D. Irwin, Inc., and the Dorsey Press, Inc., 1962); Chris Argyris, "The Individual and the Organization; Some Problems of Mutual Adjustment," Administrative Science Quarterly, 2(1957), 1-24; Chris Argyris, "Being Human and Being Organized," in Current Perspectives in Social Psychology, pp. 573-78; Chris Argyris, "Individual Actualization in Complex Organizations," in Organizations and Human Behavior, pp.208-17.

an approach to management that advocates employee autonomy and self-control, and employee participation, as a primary means of facilitating employee motivation and commitment to organizational objectives. Therefore, it is the aim of this chapter to examine in detail some of the empirical work and conceptual approaches that provide the foundation for this management concept.

Leadership Practices and Functional Behavior

The accumulation of empirical knowledge on leadership and motivation increased sharply with the small group research that expanded after the second World War.⁶ Research of particular interest to this study centered around leadership and the task performance of groups and their individual members. In view of the vast amount of data available from these studies, it is well beyond the scope of this study to attempt a review of individual findings.⁷ However, McGrath and Altman have reached some generalizations that serve to

6 It is generally observed that, with the exception of the work done by Lewin and his associates in the 1930's, the majority of the empirical work dates from the second World War. See, Fred E. Fiedler, A Theory of Leadership Effectiveness, p.6; Joseph E. McGrath and Irwin Altman, Small Group Research (New York: Holt, Rinehart and Winston, Inc., 1966), p.41.

7 There are several reviews of small group research. See, A.P. Hare, Handbook of Small Group Research (New York: Free Press, 1962); Bernard M. Bass, Leadership, Psychology, and Organization Behavior (New York: Harper & Brothers, 1960); McGrath and Altman, Small Group Research.

summarize the findings that have particular implications for management by objectives.⁸ They noted that effective leadership behavior has emerged as a function of several characteristics, including individual personality and ability. The behavior of effective leaders tends to be characterized by a high frequency of problem proposing, information seeking and ego involvement. With respect to the relationship between environmental factors, of which leadership is one, and individual task performance, they observed that:

Individual autonomy seems to have a positive effect on performance. In addition, feelings of participation in decision making about various aspects of the job (whether it actually takes place or not) and feedback in the form of reward and knowledge of performance enhance member performance..... Thus, freedom, a sense of involvement, the requirement to act, and feedback all enhance member performance.

Extending their generalizations to group performance they also said:

8 These generalizations are drawn from a sample of studies that were examined from a population of approximately 2500.

Outside influences play a similar role for group and individual productivity, with reward and punishment, rather than explanation and illustration alone, tending to enhance performance. In addition there are differential effects of types of feedback on group performance ... several work conditions ... have a positive effect Clarity of role definition ... also aids group performance.⁹

In the 1950s, the studies expanded outward from the small group findings to large scale studies in organizational settings. One group of studies focused primarily on determining the social-psychological determinants of organizational effectiveness and were particularly concerned with the relationship between different types of supervision and productivity and morale.¹⁰ One of the first of these was carried

9 McGrath and Altman, Small Group Research, pp. 61-4.

10 These are the studies of the Survey Research Center, University of Michigan, mentioned in footnote 1. The concept of organizational effectiveness used in these studies centered around task performance and employee satisfaction. This reflects the traditional view. See, Chester I. Barnard, Functions of the Executive (Cambridge, Mass.: Harvard University Press, 1938), pp. 55-60. See also, Warren Bennis, "Toward a 'truly' Scientific Management; The Concept of Organizational Health," Industrial Management Review, 4(1962), 1-27. Bennis has observed that a great deal of the literature and research on organizational effectiveness has generally focused on two dimensions; that dealing with some index of performance such as profit or productivity, and that associated with human resources such as morale or job commitment. It might be noted, however, that there is a trend toward a more complex view of organizational effectiveness. On the basis of the assumption that one of the most critical challenges facing organizations is changing

out by Katz, Macoby and Morse at the Prudential Insurance Company of America and has been described in detail by Gellerman.¹¹ This study examined the environment of high and low producing groups of clerical workers, and it was observed that supervisors who were "employee centered" were in charge of the high producing groups. "Production oriented" supervisors led the low productivity groups.¹² This key observation was substantiated in subsequent studies although it was considerably illuminated by a further finding that employee centered supervisors also

environments, the ability of an organization to deal with its environment and react to change is being viewed as an important dimension of its effectiveness. See, Katz and Kahn, The Social Psychology of Organizations, pp. 149-70; Theodore Caplow, Principles of Organization (New York: Harcourt, Brace & World, Inc., 1964), pp. 119-68; Bennis, "Toward a 'truly Scientific Management,'" Assessing Organizational Performance with Behavioral Measurements (Ann Arbor, Michigan: Foundation for Research on Human Behavior, 1964), p. 42.

11 Gellerman, Motivation and Productivity, pp. 33-8.

12 Employee centered supervisors were those who gave subordinates only a general outline of how work was to be done and they did not check closely on the workers as they progressed.

viewed production to be very important.¹³ This fact led the researchers to conclude that employee and production centered supervision does not form a continuum; rather, the most effective form is a synthesis of both.

Experimental studies have produced similar results concerning the positive effects of a supportive or considerate form of supervision combined with a concern for the task.¹⁴ The assumption

The production oriented supervisors, on the other hand, simply viewed subordinates as instruments for doing the job.

13 Two widely reported studies involve railway maintenance-of-way workers and employees in a factory manufacturing agricultural equipment. For a report and discussion see, Kahn, "Productivity and Job Satisfaction," pp. 275-87. Summaries of the overall findings of the studies have been made by Katz and Kahn and the results have been quoted and used extensively by Likert. See, Katz and Kahn, "Leadership Practices in Relation to Productivity and Morale,"; Robert L. Kahn, "The Prediction of Productivity," Journal of Social Issues, 12(1956), 41-9; Katz and Kahn, "Some Recent Findings in Human Relations Research in Industry," pp. 650-65; Robert L. Kahn, "Leadership Patterns in Organizational Effectiveness," Sixth Annual Conference (Montreal, Quebec: Industrial Relations Center, McGill University, 1954), pp. 1-35; Likert, New Patterns of Management, pp. 5-25.

14 Misumi and Shirakashi, "Experimental Study of the Effects of Supervisory Behavior on Productivity and Morale in Hierarchical Organization," Human Relations, 10(August, 1966), 297-307; Eugene E. Kaczka and Roy Kirk, "Managerial Climate, Work Groups, and Organizational Performance," Administrative Science Quarterly, 12(1967), 253-72; E.A. Fleishman and E.F. Harris,

of direct causality between leadership style and productivity has, however, been questioned by Marcus. Although he found general support for the findings of the Survey Research Center, he also found some support for his hypothesis that different group structures form under different styles of leadership which, in turn, leads to different group norms governing productivity.¹⁵ It should also be emphasized that the intrinsic expectation that high job satisfaction is positively related to better job performance or productivity has not found empirical support.¹⁶

"Patterns of Leadership Behavior Related to Employee Grievances and Turnover," Personnel Psychology, 15(1962), 43-56. Blake and Mouton have developed a two dimensional concept of effective management that centers around determining the correct mixture of a concern for employees and concern for production. See, Blake and Mouton, The Managerial Grid.

15 Philip M. Marcus, "Supervision and Group Process," Human Organization, 20(Spring, 1961), 15-19.

16 A survey of the literature in 1955 led Brayfield and Crockett to conclude that employee attitudes do not have any appreciable relationship to job performance. See, A. H. Brayfield and W. H. Crockett, "Employee Attitudes and Employee Performance," Psychological Bulletin, 52(1955), pp. 396-424. The issue has been discussed by others. See, Katz and Kahn, The Social Psychology of Organizations, pp. 373-5.

One aspect of employee centered supervision is employee autonomy, and it has attracted a considerable amount of examination. In particular, the research work has been directed toward the effect of employee participation in the planning and decision making processes of the organization. Two studies in this area are often cited as "classics" in the literature.¹⁷ The first was a study conducted by Coch and French at the Harwood Manufacturing Company. It centered on the effect that employee participation would have on the chronic resistance to change that had existed within the company. An experiment was formulated to utilize three degrees of participation:

17 Coch and French, "Overcoming Resistance to Change," and Morse and Reimer, "The Experimental Change of a Major Organization Variable." While these appear consistently in the literature as the first major field studies examining employee participation in organizational settings, important early experimental work was done by Lewin, Lippett and White. This work examined the effect of member participation in small group settings. See, R. Lippett and R. K. White, "An Experimental Study of Leadership and Group Life," in Readings in Social Psychology, pp. 315-30; Ralph White and R. Lippett, "Leader Behavior and Member Reaction in Three 'Social Climates'," in Group Dynamics, pp. 527-53.

no participation, participation through representation, and total participation. The results indicated that participation greatly modifies or completely removes group resistance to change and also results in higher productivity and morale.

The second study by Morse and Reimer investigated the relationship between the allocation of decision making processes in a large organization, and productivity and member satisfaction. An "autonomous program", in which decision making was pushed downward, was implemented in one part of the organization. A "hierarchically controlled" program in which decision making was pushed upward was used in another part. The findings revealed that individual satisfaction increased significantly in the autonomous program and decreased in the hierarchically controlled program. However, there was an increase of productivity in both, with the greatest increase in the latter.

While these studies, as well as others, have demonstrated the importance of employee participation for the improvement of employee satisfaction and productivity, it is significant that the overall focus of some has been organizational

change.¹⁸ As noted earlier, the ability of an organization to adapt to changing environments and to innovate has become an important dimension of organizational effectiveness. Therefore, some authors have looked upon many of the aspects of organizational structure and management practice in terms of their contribution to organizational change.¹⁹ In as much as management by objectives emphasizes employee

18 See, Bowers and Seashore, Changing the Structure and Functioning of an Organization; Marrow, Bowers and Seashore, Management by Participation. For a study that did not produce particularly strong support for the benefit of employee participation see, J.R.P. French, Jr., J. Israel and D. As, "An Experiment on Participation in a Norwegian Factory," Human Relations, 13(1960), 3-19.

19 Some of the literature in this area has concentrated on aspects of organizational structure that foster or inhibit change. Thompson has viewed the innovative inadequacies of bureaucratic structures; Burns and Stalker have compared "mechanistic" and "organic" organizations; and, Hickson has looked at the same issues through the concept of high or low role specificity. See, V.A. Thompson, "Bureaucracy and Innovation," Administrative Science Quarterly, 10(1965-66), 1-20; Tom Burns and G.M. Stalker, The Management of Innovation (London: Tavistock Publications, 1961); D.J. Hickson, "A Convergence in Organization Theory," Administrative Science Quarterly, 11(1966-67), 224-37. Many other authors look at organizational change in terms of bringing about change in individual members of the organization. This has led to an interest in individual and group therapy, "T-Groups", and the use of change agents. See, Harold J. Leavitt, "Applied Organizational Change in Industry: Structural, Technological and Humanistic Approaches," in Handbook of Organizations, pp. 1151-67; Katz and Kahn, The Social Psychology of Organizations, pp. 390-451. For other literature in the area of planned change which has interest for this study see, R.H. Guest, Organizational Change: The Effect of Successful Leadership (Homewood, Illinois: Richard D. Irwin, Inc., 1962); Bennis, Changing Organizations; Warren G. Bennis, Kenneth D. Benne and Robert Chin, The Planning of Change (New York: Holt, Rinehart and Winston, 1961).

participation and a downward movement of authority and responsibility, it has the key attributes that these authors feel are necessary for an approach to management that will facilitate, rather than inhibit, organizational adaptability.

A great deal of empirical work has been concerned with closely related topics such as the effect of close supervision and joint supervisor-subordinate planning of goals. Lawrence and Smith found that groups making decisions concerning production goals had greater productivity; French, Kay and Meyer found joint setting of goals by superior and subordinate led to greater goal acceptance and achievement; Tannenbaum and Georgopoulos determined that mutual influence, rather than unilateral influence, aided organizational performance.²⁰ On the question of general versus close supervision, Argyle,

20 Lois C. Lawrence and Patricia Cain Smith, "Group Decisions and Employee Participation," The Journal of Applied Psychology, 39(1955), 334-7; French, Kay and Meyer, "Participation and the Appraisal System;" see also a study by the same authors discussed in Vroom, Work and Motivation, pp. 117-8; A.S. Tannenbaum and B.S. Georgopoulos, "The Distribution of Control in Formal Organizations," Social Forces, 36(1957), 44-50.

Gardner and Cioffi observed that a looser type of supervision led to greater productivity; this is supported by the findings of Morse, Day and Hamblin and Trow.²¹

All these aspects of leadership behavior are often conceptualized in terms of a "democratic" form of leadership, which has dominant characteristics of shared power and decision making, as opposed to an authoritarian type. It conveys the idea of good superior-subordinate communication, a high degree of mutual interaction and understanding, and significant subordinate influence on matters of individual concern.²²

A positive relationship between these factors and a high level of performance was found by Indik, Georgopoulos and Seashore.²³ This was also the general observation in a series of studies

21 Michael Argyle, Godfrey Gardner and Frank Cioffi, "Supervisory Methods Related to Productivity, Absenteeism, and Labour Turnover," Human Relations, 11(1958), 23-40; Day and Hamblin, "Some Effects of Close and Punitive Styles of Supervision;" D.B. Trow, "Autonomy and Job Satisfaction in Task-Oriented Groups," Journal of Abnormal and Social Psychology, 54(1957), 204-9; For a discussion on the study by Morse see, Vroom, Work and Motivation, p. 116.

22 Stephen M. Sales, "Supervisory Style and Productivity, Review and Theory," Personnel Psychology, 19(1966), 275-86; Robert Tannenbaum and Warren H. Schmidt, "How to Choose a Leadership Pattern," Harvard Business Review, 35(March-April, 1958), 95-101.

23 Bernard P. Indik, Basil S. Georgopoulos and Stanley E. Seashore, "Superior-Subordinate Relationships and Performance," Personnel Psychology, 14(1961), 357-74.

on organizational effectiveness and additional support has been contributed by Meltzer, and Kidd and Christy.²⁴

The research discussed in this section has provided management some guidance with respect to the issue of the leadership practices best suited for the management of organizations. In general, the studies examined have demonstrated that practices which permit employee participation in the management processes, encourage employee autonomy and self-control, provide support and assistance in problem solving and task accomplishment, and supply adequate informational feedback on performance will improve organizational effectiveness. These types of practices represent a major portion of what has been referred to as democratic leadership, and in addition to improving productivity and employee satisfaction, it has also demonstrated great value for facilitating organizational change and innovation.

24 Andrew L. Comry, Wallace High and Robert C. Wilson, "Factors Influencing Organizational Effectiveness. A survey of Aircraft Workers," Personnel Psychology, 8(1955), 79-99; Andrew L. Comrey, John M. Pfiffner, and Helen P. Beem, "Factors Influencing Organizational Effectiveness. The Department of Employment Survey," Personnel Psychology, 6(1953), 65-79; L. Meltzer, "Scientific Productivity in Organizational Settings," Journal of Social Issues, 12(1956), 32-40; J.S. Kidd and R.T. Christy, "Supervisory Procedures and Work-Team Productivity," Journal of Applied Psychology, 45(1961), 388-92.

However, care must be taken lest the impression be given that there is a universal consensus that democratic leadership is the only form of leadership for organizational effectiveness. As was noted in Chapter II, the contemporary concept of leadership accepts the importance of the situation. Consequently, there is considerable interest in the opinion that the successful supervisor is not one who can be characterized as either permissive or strong; rather, he is the one who is able to assess the forces that determine the appropriate kind of behavior at any given time.²⁵ The next section reviews some of the research that has examined this issue and presents some of the points of view of those favoring this concept of effective leadership.

25 For examples of this opinion see, Likert, "Effective Supervision: An Adaptive and Relative Process;" Tannenbaum and Schmidt, "How to Choose a Leadership Pattern," The idea of effective supervision being a function of the situation, is the theme of "situational thinking" as presented by Pigors and Meyers. See, Pigors and Meyers, Personnel Administration, pp.213-35. See also, Fiedler, A Theory of Leadership Effectiveness, Fiedler's contingency model of leadership points to the need for an adequate recognition of all the situational factors when one attempts to determine what constitutes effective leadership.

Situational Factors and Leadership Style

The models of organizational behavior described in Chapter II, provide the theoretical base for an appreciation of the relationship between situational factors and leadership. Seiler's model is particularly useful, because it visualizes organizational behavior as a function of many variables which were categorized as human, technological, organizational, and social.²⁶ Leadership was viewed as one of the key organizational variables; however, on the basis of the model, it is apparent that no one leadership style could be considered as universally applicable. While one style might be appropriate for a given set of variables, another could be better, given another set. The empirical and conceptual inquiries into the issues centering around the variables that should be considered in determining appropriate leadership behavior, have touched on all four of Seiler's categories. Therefore, they provide a good framework for viewing some of the work in this area.

The human and social variables are generally represented, in part, by the motivations, expectations, and aspirations of the

²⁶ Seiler, Systems Analysis in Organizational Behavior. See page 28.

individual.²⁷ The relationship between these variables and leadership style has been explored in a variety of studies, and the results generally support the hypothesis that the most appropriate style depends upon these and other variables.

In a study of unskilled production workers, Janes found no indication of substandard production in spite of authoritarian supervision.²⁸

It appeared from his study, as has also been observed by Hopper, that the effectiveness of the supervisory approach depended a great deal on the norms and expectations of the employees. Vroom found empirical support for a hypothesis that equalitarian individuals, with strong independence needs, would be more positively affected by a leadership style permitting participation, than authoritarians with weaker independence needs.³⁰ Similarly, Tannenbaum found that

27 R.A. Katzell, R.S. Barrett and T.C. Parker, "Job Performance, Job Satisfaction, and Situational Characteristics," Journal of Applied Psychology, 65(1961), 65.

28 H.D. Janes, "Mainsprings of Motivation in Unskilled Production Work Groups," Personnel Journal, 45(June, 1966), 362-70.

29 E. Hopper, "Some Effects of Supervisory Style: A Sociological Analysis," British Journal of Sociology, 16(September, 1965), 189-205.

30 Victor H. Vroom, "Some Personality Determinants of the Effects of Participation," Journal of Abnormal and Social Psychology, 59(1959), 322-27.

workers with a predisposition toward a desire to participate responded favourably to an increase in participation. However, some of the employees were oriented toward dependent rather than participative behavior, and these individuals reacted adversely to a sudden increase in participation.³¹

The organizational and technological variables also influence the effectiveness of a leadership style. For example, a study by Vroom and Mann found that the characteristics of the work group determined the employees' attitudes toward authoritarian leadership.³² Employees in small work groups, characterized by a great deal of interaction and interdependence, developed positive attitudes toward equalitarian leaders; whereas employees in large work groups, with restricted interaction and interdependence, were found to have more positive attitudes toward authoritarian leadership. The researchers found that their results suggested "that the effectiveness of democratic leadership depends greatly upon the

31 Likert, "Effective Supervision," 323-4.

32 Vroom and Mann, "Leader Authoritarianism and Employee Attitudes," 125-40.

the interdependence of the work group and restraints on interaction between supervisors and subordinates."³³ Another group of studies has found that the upward influence of managers and supervisors within the organization has an important bearing on the effectiveness of their leadership behavior. Studies by Pelz, Hills, and Wager have centered around this theme and have demonstrated that effective leadership depends, in part, on the power and influence of the supervisor and his associated ability to help subordinates achieve their goals.³⁴

Empirical studies, such as these, have offered a great deal of insight into the issue of what situational factors are

33 Ibid., 125.

34 Donald C. Pelz, "Leadership Within a Heirarchical Organization," in Some Theories of Organization, pp. 279-85; R. J. Hills, "The Representative Function: Neglected Dimension of Leadership Behavior," Administrative Science Quarterly, 8(June, 1963), 83-101; L. Wesley Wager, "Leadership Style, Heirarchical Influence, and Supervisory Role Obligations," Administrative Science Quarterly, 9(1964-65), 391-420.

important in determining the most appropriate leadership behavior.³⁵

35 For the reader interested in the area of situational analysis, there are other studies that may be of interest. Although they are not directly associated with the relationship between various situational factors and the type of orientation of the organizational members. In particular, they have examined factors which possibly determine whether or not an individual, in a bureaucratic service organization, is oriented toward providing service to the client or adhering to procedures. In as much as a manager's orientation is bound to be reflected in his leadership style, the research in this area is of relevance to this study. It could, in fact, be suggested that management by objectives is an aspect of a service orientation since, as will be shown in Chapter IV, it is concerned with end results rather than procedures. See, Emile S. Shihadeh, "The Jordanian Civil Service: A Study of Traditional Bureaucracy," (unpublished Ph.D. Thesis, Cornell University, 1965); Peter M. Blau, "Orientation Toward Clients in a Public Welfare Agency," Administrative Science Quarterly, 5(December, 1960), 341-61; Holger R. Stub, "Attitudes Toward Formal Structures in Two Public Bureaucracies," (unpublished Ph.D. Thesis, University of Minnesota, 1958); Roy A. Francis and Robert C. Stone, Service and Procedure in Bureaucracy (Minneapolis: University of Minnesota, 1960). Shihadeh found, as did Stub in his earlier study, that situational variables such as office informality, position or rank in the hierarchy, range of choice in job performance, and frequency of contact with the public, were all situational factors positively related to a service orientation. See, Shihadeh, "The Jordanian Civil Service," pp. 222-4. Blau, in his study of a public welfare agency, found that experience, peer group support, and professional training were important variables. Experience increased employees' ability to serve clients, but decreased their desire to do so. On the other hand, peer group support promoted workers' concern with helping clients as well as their ability to do so. Professional training was found to be a variable that helped to inculcate a service orientation. See, Blau, "Orientation Toward Clients in a Public Welfare Agency," 358-61.

Likert summarized the findings of a number of studies with the conclusion that

All of the perceptions, expectation, values, and inter-personal skills of the subordinate influence his response to each act of his superior. Supervision is, therefore, an adaptive and relative process in the sense that a supervisor, to be effective, must always adapt his behavior to fit the expectations, values, and inter-personal skills of his subordinates.³⁶

Pigors and Meyers have presented a similar point of view with their concept of "situational thinking". They suggest that the key for any manager, orienting himself to a human situation, is to examine it in terms of the technical features, human elements, and space-time factors.³⁷

The position that effective leadership is situational is the basis of many of the critiques of democratic or participative management. Leavitt, for example, has called for a re-examination of "participative beliefs" on the basis that, while this approach to management may be an ideal approach in one part of the organization, it may not be in another.³⁸

36 Likert, "Effective Supervision," 317.

37 Pigors and Meyers, Personnel Administration, pp. 156-9.

38 Harold J. Leavitt, "Unhuman Organization," Harvard Business Review, 40(July-August, 1962), 90-8. See also, J. M. Rosenfield and M. J. Smith, "Participative Management, an Overview," Personnel Journal, 46(February, 1967), 101-4; M. G. Newport, "Participative Management: Some Cautions," Personnel Journal, 45(October, 1966), 532-6.

Thus, the attention of managers has been carefully directed, by the behavioral scientists, to the fact that effective leadership is not universal. The human and social factors represented by an employee's motivations and expectations vary from one individual to another. The organizational and technological variables, that characterize the work situation, vary from organization to organization, and from subsystem to subsystem. Therefore, with respect to the democratic approach to management discussed in the previous section, it appears that a manager must assess the situation carefully in order to determine the degree of democratic leadership that will prove most effective.

Contemporary Managerial Practices

And Employee Motivation

This chapter has, so far, focused on the empirical research that has provided information as to the leadership practices likely to improve individual and organizational performance and how these are governed, to a degree, by situational determinants. The next issue of interest is the relationship between these practices and the motivation of employees. This section explores the issue through a look at the process of participation itself and a brief overview of some of the conceptual schemes advanced by behavioral scientists.

In general, it is regarded that participation leads to greater employee "involvement". Although the underlying process remains unclear, it is often argued that the participation may lead to increased motivation (and consequently improved satisfaction and performance) for two reasons: either it creates the opportunity for the individual to satisfy certain key needs; or, it may lead to an identification with the organization and an internalization of its objectives.³⁹

Several empirical studies offer support for the idea that a process such as participation, which offers an employee the opportunity to satisfy his higher level needs, will lead to improved job satisfaction and performance. Vroom found a positive relationship between ego involvement of employees and their job satisfaction and task performance, as did Wickert, and Ross and

39 Martin Patchen, "Participation in Decision-Making and Motivation: What is the Relation?", 24-31. Alpert and Smith, "How Participation Works," 3-13; Gordon W. Allport, "The Psychology of Participation," The Psychological Review, 52(May, 1945), 117-32; Lowin, "Participative Decision Making; A Model, Literature Critique, and Prescriptions for Research," 68-106. While Lowin agrees that various subordinate motives are likely met by participative decision making, he also suggests that some of the improved organizational performance may arise from the supervisors side of the process. For example, he may review his decisions more closely if they are subject to subordinate discussion and scrutiny.

Zander.⁴⁰ One group of studies have contributed significantly to an appreciation of the fact that there are key motivational needs--such as the need for individual growth, achievement and responsibility--that must be met as a requisite for employee satisfaction.⁴¹ Other studies have demonstrated that employees do, in fact, perceive

40 Victor H. Vroom, "Ego Involvement, Job Satisfaction and Job Performance", Personnel Psychology, 15(1962), 159-78; F. R. Wickert, "Turnover and Employee's Feelings of Ego-Involvement", Personnel Psychology, 4(1951), 185-197; I. C. Ross and A. Zander, "Need Satisfaction and Employee Turnover", Personnel Psychology, 10(1957), 327-38.

41 The best known of these studies was undertaken by Herzberg, Mausner and Synderman to determine the factors that contribute to employee satisfaction and those that contribute to dissatisfaction. They found that factors relevant to the task, which they termed "motivators" are the primary determinants of satisfaction. Factors relating to peripheral items such as money or security are the controlling factors in dissatisfaction. See, Frederick Herzberg, Bernard Mausner and Barbara Block Snyderman, The Motivation to Work (New York, John Wiley & Sons, Inc., 1959). Studies which supported these findings are: M. Scott Meyers, "Who Are Your Motivated Workers?" Harvard Business Review, 42(January, February, 1964), 73-88; M. M. Schwartz, E. Jenusartis and H. Stark, "Motivational Factors Among Supervisors in the Utility Industry", Personnel Psychology, 16(1963), 310-12; Frank Friedlander and Eugene Walton, "Positive and Negative Motivations Toward Work." Administrative Science Quarterly, 9(1964-65), 194-207; Frank Friedlander, "Motivations to Work and Organizational Performance," Journal of Applied Psychology, 50(1966), 143-52. Some questions have been raised concerning the generality of Herzberg's results. See, Robert B. Ewan, "Some Determinants of Job Satisfaction" A Study of the Generality of Herzberg's Theory," Journal of Applied Psychology, 48(1964), 161-3; Robert B. Ewan, et al., "An Empirical Test of the Herzberg Two-Factor Theory," Journal of Applied Psychology, 50(1966), 544-50.

deficiencies in the fulfillment of their needs for autonomy, esteem and self-fulfillment.⁴² Therefore, the assumption that participation leads to greater motivation would appear quite reasonable.

The second aspect of participation, which relates to identification with the organization, means, in fact, that it results in the individual's role in the organization becoming an important part of his own self-concept. By virtue of participating in the decision making aspects of organizational life, the individual acquires a higher status in the organization. In this context, it is the individual's participation in the decisions affecting the organization that are the most relevant.⁴³

42 L. W. Porter, "Job Attitudes in Management. Perceived Deficiencies in Need Fulfillment as a Function of Job Level," Journal of Applied Psychology, 46(1962), 375-84; L. W. Porter, "A Study of Perceived Need Satisfaction in Bottom and Middle Management Jobs," Journal of Applied Psychology, 45(1961), 1-10; Raymond G. Kuhlen, "Needs, Perceived Need Satisfaction Opportunities, and Satisfaction with Occupation," Journal of Applied Psychology, 47(1963), 56-64; Frank T. Paine, Stephen J. Carroll, Jr., and Burt A. Leete, "Need Satisfaction of Managerial Level Personnel in a Government Agency," Journal of Applied Psychology, 50(1966), 247-9; Leopold W. Gruenfeld, "A Study of the Motivation of Industrial Supervisors," Personnel Psychology, 15(1962), 303-14.

43 I am indebted to Dr. E. Shihadeh for the ideas in this analysis. They are contained in his unpublished notes entitled, "Cognitive, Motivational and Value Systems."

The use of financial incentives, in conjunction with participative management schemes, works toward a balance of meeting both the basic and the egoistic needs of employees. This type of mix has been noted by Lowin, and it is fundamental to such large scale industrial schemes of participative management as the Scanlon Plan. Under this scheme, employees were granted major participation in the solution of production problems and many other aspects of the organization. Direct gains from productivity were paid as wage bonuses to the workers. Thus, the plan offers the employees economic incentives and also an opportunity to meet his needs for self-determination. Furthermore, it can lead to a clear identification with the organization and an internalization of its goals.⁴⁴

While management by objectives does not compare in scope with the Scanlon Plan, most of the authors place a great deal of emphasis on the participative aspects for improving motivation through needs satisfaction and internalization of goals.⁴⁵

44 The Scanlon Plan is much more complex than has been presented here. It has many ramifications with respect to organizational structure and functioning. See, Frederick G. Lesieur, ed., The Scanlon Plan (Cambridge, Mass.: The M.I.T. Press, 1958). For a discussion of the Scanlon Plan see, Katz and Kahn, The Social Psychology of Organizations, pp. 380-8; McGregor, The Human Side of Enterprise, pp. 110-23.

45 The emphasis is not absolute. Odiorne has expressed the view that management by objectives is still a valuable approach to management even without any participation in goal setting. See, Odiorne, Management by Objectives, pp. vii-viii.

This examination of the process of participation and the brief review of some of the empirical studies on motivation, indicate certain important factors concerning the link between the motivation of employees and management practice. The empirical findings have indicated that employees do, in fact, perceive that organizations do not permit them to satisfy many of their ego needs, such as achievement and self-esteem. When an opportunity to do so is provided, there is a marked increase in employee motivation and a concomitant improvement in employee satisfaction and productivity. Therefore, management practices that contribute to employee need satisfaction are instrumental in fostering motivation and improved organizational effectiveness. Participation, for example, directly satisfies needs for affiliation and achievement. It also results in an internalization of the objectives of the organization by the individual employee. Therefore, the accomplishment of the objective provides a satisfaction similar to that which the individual would experience from the attainment of personal goals.

This approach to harnessing the motivational drive of individuals toward organizational objectives is a common theme for the conceptual approaches developed by prominent behavioral scientists such as McGregor, Argyris, and Likert. This section now turns to a brief overview of their conceptual schemes and the message

they have for management with regard to the use of management practices for the motivation of employees.

The management philosophy presented by McGregor was based on the firm belief that the findings of the social sciences had proven management's past conceptions of the nature of man to be incorrect.⁴⁶ He gathered these conceptions, with their associated assumptions concerning human behavior, and embodied them in a set of propositions he labelled "Theory X". This theory held that the role of management was that of organizing, directing, and motivating people toward the economic goals of the organization, and it was based on the assumption that employees are indolent, self-centered and gullible.⁴⁷ McGregor argued that this theory was incorrect. "Perhaps," he said, "the best way to indicate why the conventional approach to management is inadequate is to consider the subject of motivation."⁴⁸ From this perspective he drew heavily from Maslow's theory and stressed the point that a

46 The main references for this review of McGregor's philosophy are: McGregor, "The Human Side of Enterprise,"; McGregor, The Human Side of Enterprise; McGregor, Leadership and Motivation; McGregor, The Professional Manager.

47 McGregor, "The Human Side of Enterprise," p. 56; McGregor, The Human Side of Enterprise, pp. 33-43.

48 McGregor, "The Human Side of Enterprise", p. 57.

satisfied need is not a motivator of behavior. In this way he directed management's attention to the fact that they must concern themselves with the satisfaction of employees' higher level needs once the lower level needs had been satisfied.

This new approach to management McGregor called his "Theory Y". It suggested that management's job was to arrange organizational conditions and methods of operation so that people could achieve their own goals best, by directing their own efforts toward organizational objectives. This he identified as a management process Peter Drucker had called "management by objectives" in contrast to "management by control".⁴⁹ McGregor emphasized that the individual is going to strive for independence and that the conditions for an independence that will be functional for the organization are those associated with leadership and supervision that permit participation, responsibility and the right of

49 Ibid., p. 49. McGregor's management philosophy was used as a guide for a new approach to management at the U.S. firm, Non Linear Systems. Reports describing how it was implemented, and the results achieved, have appeared in the literature. See, Arthur H. Kuriloff, "An Experiment in Management -- Putting Theory Y to the Test," Personnel, 40(November-December, 1963), 8-17. Maslow spent the summer of 1962 at Non Linear System's Del Mar plant and he has produced an interesting journal of his observations about their approach to management. See, Abraham H. Maslow, Eupsychian Management (Homewood, Illinois: Richard D. Irwin, Inc., and The Dorsey Press, 1965).

appeal.⁵⁰

The focal point for Argyris' concept of organizational behavior is the summit of the individual's hierarchy of needs; namely, the need for self-actualization.⁵¹ However, as Scott has pointed out, Argyris was less concerned with the hierarchy of needs as he was with tracing the normal course of human psychological development.⁵² The basic theme in Argyris' work revolves around the hypothesized incompatibility between the needs of a mature individual and the demands of a formal organization. This incompatibility, he suggested, blocks any hope of individual self-actualization and results in behavior that is dysfunctional for the organization.⁵³

50 Douglas McGregor, "Conditions of Effective Leadership in the Industrial Organization," in Leadership and Motivation, pp. 60-5.

51 Scott, Organization Theory, p. 77.

52 Argyris, Personality and Organization; Argyris, Understanding Organization Behavior; Argyris, Integrating the Individual and the Organization; Argyris, "The Individual and Organization"; Argyris, "Individual Actualization in Complex Organizations".

53 The term dysfunction may require elaboration. In general, the term function is used in the social sciences to refer to a consequence. Merton has stated this rather clearly with the observation that, "Functions are those observed consequences which make for the adaptation or adjustment of a given system; and dysfunctions, or adjustment of the system." See, Robert K. Merton, Social Theory and Social Structure (Glencoe, Free Press, 1957), p. 51.

The personality of the individual was conceptualized by Argyris as being located in the needs system and developing along many dimensions as the individual matures to adulthood.

Some of these dimensions he has summarized as:

- 1 A tendency to develop from passivity to activity;
- 2 A tendency to develop from dependence to independence;
- 3 A tendency to develop from limited capability to being able to perform in a variety of ways;
- 4 A tendency to develop from a lack of self-awareness and control over the adult self; and
- 5 A tendency to develop from shallow interest to deep interest and the desire to do something for its own sake.⁵⁴

Therefore, Argyris argued, when a mature individual encounters the structure of a formal organization with its directive leadership, and endless control which all demand dependence, subordination,

54 Argyris, "Individual Actualization," pp. 208-9.

and submissiveness, conflict is inevitable.

The theme of his message for management is that the only way to minimize this conflict is to design organizations in such a way as to reduce the dependency and submissiveness expected from employees. In this way, he suggests, management will achieve "organizational health" through providing the means by which the employees can satisfy, to some degree, their need for self-actualization.⁵⁵

55 The concept of organizational health in this context infers organizational effectiveness through good individual mental health of the employee. This is associated with an absence of conflict arising from employee-organizational relationships. The desirability of minimizing this conflict and improving the mental health of the employee has resulted in a considerable amount of attention to the subject of conflict resolution and tension management. For some literature in the area see, Arthur Kornhauser, Mental Health of the Industrial Worker (New York: John Wiley & Sons, Inc., 1965); Robert L. Kahn et al., Organizational Stress: Studies in Role Conflict and Ambiguity (New York: John Wiley & Sons, Inc., 1964); J. D. Thompson, "Organizational Management of Conflict," Administrative Science Quarterly, 4(1959-60), 389-409; Alvin Zander and Robert Quinn, "The Social Environment and Mental Health. A Review of Past Research at the Institute for Social Research," Journal of Social Issues, 18(July, 1962), 48-66. It will be noted that many of the practices advocated by the management by objectives approach such as clear goals, open communications, satisfaction of personal needs, are all important aspects in the management of tensions created within organizational situations.

The empirical findings of the behavioral sciences as well as the new theories of motivation prompted Likert to develop a "motivational approach" for management which, like those of McGregor and Argyris, has had profound impact on management thought.⁵⁶ The differences in productive efficiency in different organizations directed Likert's attention to the fact that "a consistent pattern of motivational principles and their application is associated with high productivity and job satisfaction."⁵⁷ The basic principle that he noted was that highly motivated performance could only be achieved by "harnessing effectively all the major motivational forces which can exercise significant influence in an organizational setting."⁵⁸ These he identified as the ego

56 Likert has influenced management practice through a variety of books and articles. See, Likert, New Patterns of Management; Likert, The Human Organization; Likert, "A Motivational Approach to a Modified Theory of Organization and Management"; Likert, "Motivation: The Core of Management".

57 Likert, "Motivation: The Core of Management:", p. 63.

58 Likert, New Patterns of Management, p. 98.

motives, the security motives, the economic motives, and the individual's curiosity, creativity, and a desire for new experiences. In keeping with an appreciation of the cognitive aspects of motivation, Likert stressed that a significant factor, which must be taken into account, was that an individual's reaction to any situation is a function of his perception of it.

These conceptual schemes present an approach to management that is intended to realize the full motivational potential of the organization's members. They suggest that the fundamental characteristic of this approach is an appreciation of the complexity of human behavior. In terms of the focal issues for this chapter, they advocate the use of managerial practices, such as those described in the previous sections, to obtain congruency between individual and organizational objectives and to permit the individual to achieve a degree of self-actualization.

Summary

The empirical work and the conceptual schemes discussed in this chapter have offered management some pertinent direction with regard to issues concerning the motivation of employees and

effective organizational leadership. It has been demonstrated that the channeling of individual behavior toward the achievement of organizational objectives depends, to a great extent, upon the motivational effects of management practices.

Many of the management practices which facilitate employee motivation represent dimensions of leadership or supervisory behavior. Empirical research has found that organizational effectiveness, in terms of productivity, employee satisfaction or organizational adaptability, is generally improved in most organizational situations when the management practices are characterized by a democratic form of leadership. Small group studies have correlated improved task performance with individual autonomy, participation, and the feedback of information concerning performance. Large scale studies in organizational settings have indicated that supervisors who demonstrate consideration for employees and use general rather than specific supervision, as well as a genuine concern for the task, have more productive and satisfied employees. The use of employee participation has emerged as a particularly viable approach to achieving organizational

effectiveness. Not only has it demonstrated potential for improving employee satisfaction and (in most cases) productivity, it has also displayed great potential in facilitating organizational change. The influence of supervisors in the organization and their ability to help subordinates achieve their objectives has also been found to be an important aspect of leadership behavior.

The conceptual schemes for management and the empirical studies on motivation offer a conceptual link between these management processes and the motivating process. Although the processes have not been subjected to rigorous research, they have been widely explained in terms of employee need satisfactions. Authoritarian leadership styles are considered to frustrate need satisfaction; whereas, democratic leadership is viewed as a means of offering direct satisfaction of the employees' ego and affiliative needs. Furthermore, participation is also viewed as a means for enabling the employee to internalize the goals of the organization. Thus, it leads to the goal of congruency so important to McGregor and the achievement of the organizational

goals is held to produce, since the employee perceives them as his own, a large measure of the self-actualization which was the focus of Argyris' approach. Supervisors, who have organizational influence and technical ability, also contribute to employee motivation since they are able to provide the paths to goal achievement.

In spite of the positive effects of democractic leadership and its associated practices, generalizations are tempered with recognition of the fact that, in some cases, an authoritarian style has resulted in improvement in certain of the dimensions of organizational effectiveness. Some studies have indicated that it can produce greater gains in productivity than a democratic form of leadership; other have found that employees actually favored an authoritarian approach. These findings redirect management's attention to the fact that leadership behavior and management practices must be appropriate to the situation. In situations where human variables such as the norms and expectations of the employees indicate that an authoritarian style is expected, it will probably be the most effective. Similarly, where organizational and technical factors mitigate against employee self-control or

participation, these management practices must be modified to suit the situation.

Therefore, the essence of the contributions to management practice, described in this chapter, is that improved organizational effectiveness rests, to a large degree, upon the improved motivation of employees. This can best be achieved by structuring the work situation and providing the environment that will permit the employee to satisfy his personal needs through the achievement of organizational goals. The hierarchical nature of human needs implies that, since the basic needs are generally well satisfied in modern organizations, management must focus its attention on meeting the employees' needs for achievement, self-esteem and self-actualization. A democratic form of management has emerged as one of the best means of achieving this objective. However, the degree of democratization which will prove to be most effective, depends upon a number of situational variables.

The theoretical and empirical contributions from the behavioral sciences presented in this study have provided management with a sound basis for the development of effective managerial

practices. However, an examination of some of the actual management practices that have emerged is required for a full appreciation of how these contributions have influenced the development of management thought. Management by objectives has become widely identified as one approach that reflects the influence of the behavioral sciences; therefore, the following chapter is devoted to a review of what the literature presents as "management by objectives" and a description of the practices it advocates.

CHAPTER IV

MANAGEMENT BY OBJECTIVES: AN APPROACH TO MANAGEMENT

Introduction

A survey of the literature on management by objectives suggests that it is best described as an approach to management which embraces a spectrum of management practices. Various authors have presented a range of perspectives and emphases; sometimes, this has led to certain practices, or groups of practices, becoming singularly identified as "management by objectives". However, when taken in context, management by objectives emerges as an overall approach to management.¹

There appear to be two main distinguishing features of this approach. First of all, its management practices are aimed at releasing the full potential of the organization's members. Therefore, throughout the literature, there is an almost universal

¹ Mahler has drawn attention to the fact that there is considerable confusion as to what actually constitutes a "management by objectives" approach to management. He has cited an incident in which twenty firms, each with different management approaches, reported that they had a management by objectives programme. See, Walter R. Mahler, "A 'Systems' Approach to Managing by Objectives," Readings for a Seminar on Management by Objectives, Toronto: York University, Faculty of Administrative Studies, n.d. The emphasis placed on management by objectives as an improved means of appraising performance is one example of how one aspect can, to some degree, obscure the others. See, Howell, "A Fresh Look at Management by Objectives," 51-8.

recognition and application of the theoretical and empirical contributions on motivation and leadership.² Secondly, the practices are also advocated as a means of improving the traditional functions of management.³ There is, however, a wide range of emphases on these two dimensions. In fact, the literature appears to be distributed along a continuum. At one end, the authors focus primarily upon management by objectives as a means of improving the motivation and commitment of individual organization members. At the other end, there is only perfunctory reference to the motivational aspects of the management practices. Here, the benefits the practices have to offer for the improvement of organizational planning and control are the primary consideration. In between lies the majority of the literature which offers varying degrees of recognition to both these

2 See, McGregor, The Professional Manager; Scanlan, Results Management in Action; Hughes, Goal Setting; Leathers "Applying Management by Objectives to the Sales Force;" Batten, Beyond Management by Objectives.

3 The traditional functions of management have generally been identified as planning, organizing, directing, and controlling. These elements are identifiable in the early work by Taylor and Fayol, and have served as a framework for a great deal of the management literature. See, Frederic Winslow Taylor, The Principles of Scientific Management (New York: Harper & Brothers Publishers, 1914), p.140; Henri Fayol, General and Industrial Management (London: Sir Issac Pitman and Sons Ltd., 1949), pp. 43-110. For a sample of the management literature see, W. H. Newman, Administrative Action (Englewood Cliffs, New Jersey: Prentice-Hall, Inc., 1951); George R. Terry, Principles of Management (Homewood, Illinois: Richard D. Irwin, Inc., 1956), Theo Haimann, Professional Management (Boston: Houghton Mifflin Company, 1962). A segment of the management by objectives literature discusses this approach to management in terms of these functions. See, Boyce, Integrated Managerial Controls; Michelon, Modern Management Methods; Howell, "A Fresh Look at Management by Objectives."

aspects of management by objectives.⁴ In general, most of the literature expresses the expectation that this approach to management will improve organizational effectiveness both by assisting managers to plan, control and appraise organizational performance and by improving their motivation and their commitment to organizational objectives. It is the unique characteristic of management by objectives that many of its practices appear to serve both ends.

The literature, which has taken an integrated approach to management by objectives, has generally viewed it as a cyclical process in which the key dimensions are the planning, control, appraisal, and improvement of organizational performance.⁵ As its name implies, it utilizes goals or objectives as the focal point for the whole management process. Therefore, it is not surprising that they feature

4 For examples of two authors who could be considered to represent the two polar positions see, McGregor, The Human Side of Enterprise; and, Boyce, Integrated Managerial Controls. For literature that would represent a mid-position see, McConkey, How to Manage by Results; Schleh, Management by Results.

5 For a discussion on the concept of management as a cyclical process see, Haberstroh, "Organization Design and Systems Analysis," pp. 1171-1211. See also, Newman, Administrative Action, pp. 16-18. For authors who present management by objectives as a cyclical process see, Odiorne, Management by Objectives; Batten, Beyond Management by Objectives; E. S. Shihadeh, "Getting Improved Results Through Planned Discussions," Unpublished Notes, University of Alberta, Faculty of Business Administration and Commerce, October, 1967.

prominently in all the key aspects of the management by objectives cycle.⁶

The planning process centres on the development of organizational objectives and the means of achieving them for all areas of organizational activity and at all levels of the organization.⁷

Subordinate participation features prominently in the process and is generally advanced as a means of ensuring effective planning and individual motivation.⁸ Thus, the management by objectives approach serves as both a means of ensuring an integrated approach to planning and a means of obtaining individual commitment to organizational objectives.

Both the control and appraisal of performance also center around the use of objectives. In general, the control of performance

6 For a cross section of the management literature that demonstrates an emphasis on the use of organizational objectives see, Hicks, The Management of Organizations, pp. 51-69; Newman, Administrative Action, pp. 13-29; Drucker, The Practice of Management, pp. 62-87; William H. Newman, Charles E. Summer and E. Kirby Warren, The Process of Management (Englewood Cliffs, New Jersey: Prentice-Hall, Inc., 1967), pp. 466-85; Bertrand M. Goss, "What are Your Organization's Objectives? A General Systems Approach to Planning", Human Relations, 18(August, 1965) 195-216; McConkey, How to Manage by Results.

7 Odiorne, Management by Objectives, pp. 98-138; McConkey, How to Manage by Results, pp. 42-63; Dale D. McConkey, "Judging Managerial Performance: Single vs. Multiple Levels of Accountability," Business Horizons, (Fall, 1964), 49-50; George Odiorne, "Operating Guide for the Construction of Objective Statements," Readings for a Seminar on Management by Objectives, Toronto: York University, Faculty of Administrative Studies, n.d.; Mahler, "A 'Systems' Approach," Schleh, Management by Results, pp. 18-45; Scanlan, Results Management in Action, pp. 42-78.

8 Drucker, The Practice of Management, p. 129; Scanlan, Results Management in Action, pp. 76-7; McConkey, How to Manage by Results, p. 54; Batten, Beyond Management by Objectives, pp. 58-9; Schleh, Management by Results, pp. 38-40.

is viewed as the managerial function of guiding operations and preventing dysfunctions that will hinder goal achievement. Some authors look at it in terms of administrative instruments such as budgets and performance standards; other view control within the framework of authority relationships.⁹ Almost all advocate a control process designed to permit self-control and superior-subordinate relationships that are democratic rather than authoritarian.¹⁰ Similarly, under the management by objectives approach, appraisal is accomplished through the comparison of achieved results against stated objectives, whether it be at the organizational, suborganizational, or individual level. As in the objective setting process, the appraisal process operates as a joint collaborative venture and it is directed toward problem solving rather than criticism.¹¹

9 For literature that discusses control in terms of administrative processes and objectives see, Boyce, Integrated Managerial Controls; Howell, "A Fresh Look at Management by Objectives;" Douglas S. Sherwin, "The Meaning of Control," in The Nature and Scope of Management, ed. by Maneck S. Wadia (Chicago: Scott, Foresman and Company, 1966), pp. 203-7; Alex W. Rathe, "Management Control," in Administrative Control and Executive Action, ed. by B. C. Lemke and James Don Edwards (Columbus, Ohio: Charles E. Merrill Books, Inc., 1961), pp. 26-31. For an examination of control of performance in terms of leadership behavior and an exercise of influence see, Arnold S. Tannenbaum, "The Concept of Organizational Control," in The Nature and Scope of Management, pp. 219-25; W. R. Rosengren, "Structure, Policy and Style: Strategies of Organizational Control," Administrative Science Quarterly, 12(June, 1967), 140-64.

10 Odiorne, Management by Objectives, p. 168; Scanlan, Results Management in Action, pp. 1-8; Simpkins, "Planning for Management by Objectives," Systems and Procedures Journal, 17(January-February, 1966), 32. McGregor, The Human Side of Enterprise, pp. 61-76.

11 Wikstrom, "Management by Objectives or Appraisal by Results," Dale D. McConkey, "Management by Objectives: How to Measure Results,"

Although the primary purpose of this study is to gain an appreciation of how the management by objectives approach has utilized the contributions of the behavioral sciences, it is also concerned with presenting, as a means to this end, a comprehensive review of what the literature discusses as "management by objectives". Therefore, this chapter uses, for a framework, the key aspects of management by objectives that were identified above: planning with objectives, and the control and appraisal of performance. Initially, the chapter discusses this approach to management in terms of the "management by objectives cycle", in order to place its various aspects in perspective. An inquiry into the nature of organizational objectives and the objective setting process is then used as the means of examining the way in which the literature presents planning with objectives. The control and appraisal of performance is examined jointly; however, in view of the emphasis that is placed on the use of management by objectives for the evaluation of personnel, this aspect is discussed separately at the conclusion of the chapter.

The Management by Objective Cycle

Management by objectives is by nature, a cyclical process

Management Review, (March, 1965) 60-63; McConkey, "Judging Managerial Performance;" McConkey, How to Manage by Results; Scanlan, Results Management in Action; Marion S. Kellogg, Closing the Performance Gap (New York: American Management Association, 1967); Odiorne, Management by Objectives; Raymond F. Valentine, Performance Objectives for Managers (New York: American Management Association, 1966).

and this conceptualization has been used by various authors. Odiorne has specifically identified a "cycle of management by objectives", while Batten has used a closed loop concept and Shihadeh has referred to a "management improvement cycle".¹² The model for a goals programme advanced by Mahler similarly features the characteristics of a cyclical process; it commences with goal preparation and ends with new goals preparation.¹³ Although none of the management cycles outlined by the different authors are identifiable and can be synthesized to suggest a basic management by objectives cycle.

The main features of the cycle are:

- (a) Establish overall organizational objectives;
- (b) Develop performance objectives throughout the organization which will serve as performance criteria;
- (c) Review progress toward the objectives, on the basis of information feedback, and adjust organizational activity (or objectives) if necessary;
- (d) Appraise the results of organizational and/or individual performance by comparing them with the stated objectives; and

12 Odiorne, Management by Objectives, pp. 77-9; Batten, Beyond Management by Objectives, p. 62; Shihadeh, "Improving Performance Through Planned Discussions," p. 4.

13 Mahler, "A 'Systems' Approach," pp. 7-10.

- (e) Review past performance and performance objectives and set new objectives for the next cycle.¹⁴

From the key functions which constitute the management by objectives cycle, it is possible to appreciate how this approach to management has emerged with certain distinguishing characteristics. The approach to planning centres around the setting of objectives; control and appraisal of performance is accomplished by comparison of achieved results against stated goals; and all the management practices are aimed at creating conditions of motivation which will facilitate the improvement of organizational and individual performance. The management literature offers many normative prescriptions for managers and these constitute the many practices which currently make up the management by objectives approach.

Planning with Objectives

Management by objectives brings to the organization a planning process that is marked by an emphasis on objectives or goals, a collaborative goal setting process, and a downward thrust of responsibility for setting objectives and determining the details as to how they will be achieved. In essence, the planning process calls for a

¹⁴ These features are drawn from the previously mentioned models developed by Odiorne, Batten, Shihadeh, and Mahler. See also, Hughes, Goal Setting, pp. 101-5; Simpkins, "Planning for Management by Objectives," 34; Ernest C. Miller, Objectives and Standards (New York: American Management Association, 1966), pp. 17-21.

statement of overall objectives for the organization by top management. This is followed by the development of performance objectives for lower levels of management.¹⁵ The development of these performance objectives and how they will be achieved is generally accepted as the responsibility of subordinate managers.

The final performance objectives and plans emerge from a collaborative superior-subordinate process which is aimed at ensuring these objectives are compatible with overall objectives of the organization, and that the subordinate is willing to accept them as his own.¹⁶

15 This is what is generally referred to as "top-down" planning as opposed to "bottom-up" planning. The latter implies that overall organizational objectives are a synthesis of the objectives and plans from lower levels of management. See, Hughes, Goal Setting, p. 25. Not all authors consider the initial development of organizational objectives as a necessary prerequisite for a management by objectives programme, although most agree that this procedure is desirable. See, McConkey, How to Manage by Results, pp. 52-3; Odiorne, "A 'Systems' Approach," p. 17; Valentine, Performance Objectives for Managers, pp. 65-6; Dale and Michelon, Modern Management Methods, p. 56. However, Howell takes the position that it is vital for the overall objectives to be communicated down to the heads of subunits and finally to individuals if there is to be an integrated organizational effort. Howell, "A Fresh Look at Management by Objectives," 54.

16 Drucker, The Practice of Management, p. 129; Scanlan, Results Management in Action, pp. 76-7; McConkey, How to Manage by Results, p. 54; Batten, Beyond Management by Objectives, pp. 58-9; Schleh, Management by Results, pp. 38-40; Valentine, Performance Objectives for Managers, pp. 42-3; Odiorne, Management by Objectives, p. 146; Kellogg, Development Objectives for Managers, pp. 110-13.

Organizational Objectives

The central importance of objectives, as a focus for management in general, is a theme that is apparent in the management literature.¹⁷ Historically, organizations may have been thought of as having a single identifiable objective.¹⁸ However, contemporary authors dealing with organizations and their management have adopted a much more complex concept. There appears to be a general consensus with Drucker's

17 Hicks has sampled the management literature and quoted several statements from it to illustrate the central importance that is attributed to objectives. For example, "Objectives serve as reference points for the efforts of the organization," and "Organizational objectives are the ends toward which all organizational action is directed." See, Hicks, The Management of Organizations, pp. 51-2. For examples of the many authors who emphasize the importance of objectives see, Newman, Administrative Action; Drucker, The Practice of Management; McConkey, How to Manage by Results. Haberstroh and Goss have both singled out the concept of organizational objectives as the key unifying principle behind large scale organized action, and pointed out that they are central to the "current emphasis in managerial theory on management by objectives". See, Haberstroh, "Organization Design and Systems Analysis," p. 1180; Goss, "What are your Organization's Objectives?" 195.

18 The idea of organizational objectives are linked with the assumption that organizations are groups of individuals who have come together to achieve a common purpose. See, Barnard, Functions of the Executive, pp. 46-61; Vernon E. Buck, "A Model for Viewing an Organization as a System of Constraints," in Approaches to Organizational Design, ed. by James D. Thompson (Pittsburg, Penn.: University of Pittsburg Press, 1966), p. 107. The conceptualization of a single identifiable organizational purpose has been used as a defining characteristic of organizations by the sociologists and has served as a focus for their studies of how organizations are formed and their relationship with society. See, Talcott H. Parsons, "Suggestions for a Sociological Approach to a Theory of Organizations," Administrative Science Quarterly, (1956-57), 64; Amitai Etzioni, Complex Organizations (New York: Free Press of Glencoe, Inc., 1961), p. 71; James D. Thompson and William J. McEwan, "Organizational Goals and Environment: Goal Setting as an Interaction Process," American Sociological Review, 23(1958), 23-31.

opinion that no single organizational objective is adequate.¹⁹ Therefore the question has arisen as to the structural relationship among objectives in complex organizations.

An appreciation of how objectives are interrelated is appropriate for an understanding of the management by objectives approach. As has been noted, most authors agree on the desirability of setting overall organizational objectives as the starting point for a co-ordinated development of objectives throughout the organization. This has led to a hierarchical concept of objectives which visualizes the overall objectives of the organization at the peak of a pyramid followed, in turn, by objectives for upper and middle management and the first level of supervision.²⁰ March and Simon have termed this a "means-end" hierarchy, wherein the goals of one level of organization

19 Drucker, The Practice of Management, p. 62. See also, Newman, Summer, and Warren, The Process of Management, pp. 477-9.

20 McConkey, How to Manage by Results, pp. 42-53; Hicks, The Managing of Organizations, pp. 52-4; Charles H. Granger, "The Hierarchy of Objectives," Harvard Business Review, 42(May & June, 1964), 63-74; an alternate conceptual framework for visualizing the complexity of organizations and the interrelationship of objectives is provided by the systems concept of organizations. In basic and simple terms, the systems concept views organizations as aggregates of several subsystems all interacting with one another, but with a particular orientation depending upon their function within the system. This concept is finding wide acceptance in the literature on organizations and offers a good perspective for visualizing how conflicting objectives can develop within organizations and the difficulty that management can encounter in developing interlocking and congruent objectives designed to achieve the overall objectives of the organizations. See, Katz and Kahn, The Social Psychology of Organizations, pp. 14-29, 39-47; James D. Thompson, Organizations in Action (New York: McGraw-Hill Book Company, 1967); Robert Arin, "The Utility of System Models and Developmental Models for Practitioners," in Management Systems, ed.

become the means of the next.²¹ The same conceptualization has been used by Buck, coupled with a "paths-goals" terminology.²² Similarly, Seashore has used this concept in the development of a scheme for the evaluation of organizational effectiveness.²³ The essential idea

by Peter P. Schoderbek (New York: John Wiley & Sons, Inc., 1967), pp. 16-26. Neil W. Chamberlain, Enterprise and Environment (New York: McGraw-Hill Book Company, 1968). Chamberlain has pointed out, "The firm can be looked on as a system--something with explicit over-all objectives, its parts nestling together with functional fitness to achieve the result... The parts, the subsystems, do not, however, contribute their bit to the overall objective of the system with simple machine-like automation--each has its own objectives--partly defined by functional roles also by personal goals of those who occupy the unit." See, pp. 3-5.

21 Simon, Organizations, pp. 194-7.

22 Buck, "A Model for Viewing an Organization," pp. 115-9. By way of illustration, Buck has offered the example of a company for which the overall objective is making a profit. The marketing department may subsequently decide that the best path to profit is to introduce a chrome plated magnet. Thus the goal of the marketing department becomes the path to one of the goals of the overall organization.

23 Stanley E. Seashore, "Criteria of Organizational Effectiveness," Michigan Business Review, 17(July, 1965), 26-30. See also, Stanley E. Seashore and Ephriam Yuchtman, "Factorial Analysis of Organizational Performance," Administrative Science Quarterly, 12 (December, 1967), 377-75. Seashore is concerned with assessing organizational performance; therefore, he has presented the hierarchy in terms of "criteria" rather than "objectives". However, the management by objectives approach views the two as equitable in as much as the objectives serve as the criteria for performance appraisal.

about the structure of objectives which emerges from these approaches is that organizations have ultimate objectives. The attainment of these rests upon the attainment of various subgoals which are the focus for organizational activity in various organizational units. An even finer division differentiates among the objectives of individual members of the organization.²⁴

This conceptualization of organizational objectives raises the question as to the organizational level that constitutes the practical limit for the application of the management by objective approach. The general consensus appears to be that maximum benefit can be achieved by applying it to all levels of management.²⁵ Consequently, it has emerged in the literature as primarily a means of managing the managers. However, some authors have indicated a general applicability of the approach for each individual member of the organization.²⁶ However, it is noted that even in these instances,

24 For other authors who take similar positions see, Newman, Summer, and Warren, The Process of Management, pp. 468-9.

25 McConkey, How to Manage by Results, p. 50; Schleh, Management by Results, p. 18; Simpkins views the second line level of supervision as the lowest planning level. See, Simpkins, "Planning for Management by Objectives," 36.

26 Schleh, Management by Results, p. 18; Scanlan, Results Management in Action, pp. 69-73; Mahler, "A 'Systems' Approach," p. 17; Howell, "A Fresh Look," 57. McGregor, The Professional Manager, p. 129.

the focus appears to be upon individuals who are in professional or technical categories such as engineers, scientists, or sales personnel.²⁷

The Objective Setting Process

The development of objectives and plans is one of the key aspects of management by objectives. Predictably, the literature abounds with a normative treatment of the subject. There are two dominant themes discussed by virtually all the authors: one is the nature of the superior-subordinate relationship; the second is what the objectives themselves should be.

Most authors agree that participation by the subordinate in the setting of objectives is a predominant feature of the process. Ordinarily, the procedure advocated calls for a joint meeting and discussion which should provide the subordinate with a clear perspective of overall organizational objectives. Following this,

27 This point reflects again the situational nature of effective management practice. In particular, it should be noted that the individuals suggested here are not highly constrained by organizational or technological factors. Therefore, management by objectives offers a feasible approach to managing. However, as Buck has pointed out, as one proceeds to the lower levels of the organization, the degrees of freedom in making decisions becomes increasingly limited. See, Buck, "A Model for Viewing an Organization," p. 117. At lower levels of the organization where this situation prevails management by objectives may imply more of participative management where group goal setting and participation are used. See also, Mahler, "A 'Systems' Approach," p. 17.

the subordinate is called upon to develop the objectives for his organizational unit and for himself. Further discussion, and the ultimate acceptance of the objectives and plans, round out the process.²⁸

While this procedure appears as a general emphasis and is advocated as a necessary condition for motivating the individual, ensuring his acceptance of the objective, and obtaining objectives that reflect an intimate knowledge of the work situation, it has drawn certain qualifications. Schleh, for example, has pointed to objective setting as essentially the job of the superior as the final expression of his delegation.²⁹ Similarly, Hughes has emphasized that participation cannot be equated with the absence of top-down planning, and Valentine has stated that the relative contribution from superior and subordinate is a matter of personal decision by the superior.³⁰ The overall relationship is perhaps

28 Drucker, The Practice of Management, p. 129; Scanlan, Results Management in Action, pp. 76-7; McConkey, How to Manage by Results, p. 54; Batten, Beyond Management by Objectives, pp. 58-9; Schleh, Management by Results, pp. 38-40; Kellogg, Closing the Performance Gap, pp. 110-3; Odiorne, Management by Objectives, p. 146; Valentine, Performance Objectives for Managers, pp. 42-3; McConkey, "Judging Managerial Performance," 50; Mahler, "A 'Systems' Approach," p. 7.

29 Schleh, Management by Results, pp. 37-8.

30 Hughes, Goal Setting, p. 26; Valentine, Performance Objectives for Managers, p. 45.

best clarified by Odiorne, who has emphasized the situational determinants which the superior must assess in determining the degree of participation in any particular objective setting process.³¹

The various positions can be summarized in the following way. The participation of subordinates is generally viewed as a valuable dimension of the management by objectives approach. However, the degree of participation must be tempered in accordance with the situational factors. The subordinate's experience, abilities, and attitudes are, as have been noted in the models or organizational behavior, factors that must be assessed by the supervisor. This point has also been discussed fully in the section on situational factors and leadership style.³²

This perspective of the objective setting process indicates that management by objectives is far from being a laissez-faire

31 Odiorne, Management by Objectives, pp. 137-50. This position reminds us of the earlier discussion of the situational nature of effective leadership and the concept of situational thinking advocated by Pigors and Meyers. See, Pigors and Meyers, Personnel Administration. For an excellent discussion on delegation and its feasibility in different situations see, George Strauss, "Some Notes on Power-Equalization," in The Social Science of Organizations, ed. by Harold J. Leavitt (Englewood Cliffs, New Jersey: Prentice-Hall, Inc., 1963), pp. 70-9.

32 See pages 57 - 63.

approach to management.³³ The supervisor has an important and vital role to play. Not only must he assess the situational determinants correctly, he must bring to the process a clear definition of overall objectives as they concern his organizational unit, an a priori opinion as to what he feels the subordinate's objectives should be, and a clear and final judgment as to what constitutes realistic and acceptable objectives.³⁴

The objectives that should be developed for an organization and for individual managers occupy the attention of a wide segment of the literature. In general, the advice offered pertains to three categories of objectives: those for the overall organization; those for the department or unit; and those for the individual. A clear distinction is not applicable because much of the advice offered to top management concerning the development of overall objectives for the organization is equally applicable for the departmental manager. Furthermore, there is a grey area between unit and individual objectives when the unit manager is involved. In this case, it is often assumed that the unit objectives also represent a part of the manager's own

33 Drucker clearly advocates that managers must manage. See, Drucker, The Practice of Management, pp. 137-43.

34 The role of the superior in the objective setting process is discussed in Valentine, "Laying the Groundwork for Goal Setting," Personnel, 43(January, 1966), 34-41; Valentine, Performance Objectives for Managers, pp. 83-93; McConkey, How to Manage by Results, pp. 54-7; McConkey, "Judging Managerial Performance," 49-50; Howell, "A Fresh Look at Management by Objectives," 56.

objectives. However, the general differentiation offers a rough framework for reviewing the literature.

The development of overall organizational objectives is a subject which is discussed extensively in the literature oriented toward business policy and corporate strategy.³⁵ The main emphasis of interest for management by objectives is the need for organizations to develop multiple objectives in all the key areas of organizational activity. Drucker has identified key areas, such as market standing, innovation, and profitability as some that merit management's close attention; while others, such as Ansoff, have developed elaborate analytical schemes to arrive at a comprehensive portfolio of objectives.³⁶ While overall objectives have considerable relevance

35 H. Igor Ansoff, Corporate Strategy, (New York: McGraw-Hill Book Company, 1965); Edmund P. Learned et al., Business Policy (Homewood, Illinois: Richard D. Irwin, Inc., 1965); Drucker, The Practice of Management; Ernest Dale, Organization (New York: American Management Association, 1967), pp. 49-57; Justin G. Longenecker, Principles of Management and Organizational Behavior (Columbus, Ohio: Charles E. Merrill Books, Inc., 1964), pp. 67-103; Melville C. Branch, The Corporate Planning Process (New York: American Management Association, 1962). Marvin Bower, The Will to Manage (New York: McGraw-Hill Book Company, 1966), pp. 42-97.

36 Drucker specifically identified eight areas of performance requiring objectives. The others were productivity, physical and financial resources, manager performance and attitude, and public responsibility. See, Drucker, The Practice of Management, p. 63. The analytical approach outlined by Ansoff is basically aimed at developing the entire hierarchy of objectives for the organization. See, Ansoff, Corporate Strategy, pp. 29-74.

for the management by objectives approach, the main themes of the literature which has focused specifically on the topic, appear to concern the development of objectives by individual managers. This emphasis reflects the interest of management by objectives in motivating and appraising individual managerial performance.

In spite of the wide range of advice offered concerning the preparation of these objectives, there are several common themes which emerge. These can best be identified by paraphrasing the various normative prescriptions of the literature:

- 1 One or two objectives should reflect the overall purpose or mission of the unit or individual;³⁷
- 2 Specific areas of responsibility should be outlined and significant objectives developed for these areas;³⁸

37 Scanlan, Results Management in Action, p. 73; Drucker, The Practice of Management, pp. 49-61.

38 Scanlan, Results Management in Action, pp. 51-7; Odiorne, "Operating Guide," p. 2; Mahler, "A 'Systems' Approach," pp. 14-5; Simpkins, "Planning for Management by Objectives," 36. McConkey excludes normal administrative duties, see, McConkey, How to Manage by Results, p. 58. Some authors warn against restricting objectives to areas in which the manager has complete control. They feel objectives should be set if the manager has a significant influence in the area. See, Scanlan, Results Management in Action, p. 73; Odiorne, Management by Objectives, pp. 107-8; Schleh, Management by Results, p. 26.

- 3 Objectives should be operationalized in terms of the specific end results to be achieved and the method of measurement should be specified. If this is not possible, there should be a clear definition of the end results expected;³⁹
- 4 Problem areas and areas that require improvement should be identified and objectives developed for them;⁴⁰
- 5 All objectives should be reasonable, realistic, precise, and attainable, yet challenging;⁴¹

39 Scanlan, Results Management in Action, pp. 57-61; Odiorne, Management by Objectives, p. 105; Drucker, The Practice of Management, pp. 84-6; McConkey, How to Manage by Results, pp. 64-5, 67; McConkey, "Judging Managerial Performance," 50; Mahler, "A 'Systems' Approach," pp. 7, 13; Howell, "A Fresh Look at Management by Objectives," 56; Simpkins, "Planning for Management by Objectives," 34-5; Valentine divides the objectives into two basic types, direct and indirect. The direct relate to the measureable factors outside the manager, the indirect relate to managerial "traits". See Valentine, Performance Objectives for Managers, pp. 52-4.

40 Scanlan, Results Management in Action, pp. 63-6; Odiorne, "Operating Guide," p.3.

41 Scanlan, Results Management in Action, p. 72; McConkey, How to Manage by Results, pp. 64-5; Schleh, Management by Results, p. 25; Valentine, Performance Objectives for Managers, p. 75; McConkey, "Judging Managerial Performance," 50; Mahler, "A 'Systems' Approach," p. 13; Howell, "A Fresh Look at Management by Objective," 56; Simpkins, "Planning for Management by Objectives," 35.

- 6 The objectives should recognize the manager's experience and capabilities;⁴²
- 7 Innovative and development objectives should be set for both the organization and the individual to foster growth and development;⁴³
- 8 The objectives should be limited; and⁴⁴
- 9 The objectives should be compatible with, and contribute to, the overall objectives of the organization. In some cases they should be weighted to achieve the proper emphasis.⁴⁵

42 Scanlan, Results Management in Action, p. 71; McConkey, How to Manage by Results, p. 65; Schleh, Management by Results, p. 34.

43 Odiorne, Management by Objectives, pp. 112-38; Odiorne, "Operating Guide," p. 4; Kellogg, Closing the Performance Gap; Drucker, The Practice of Management, pp. 81-2; Schleh, Management by Results, pp. 159-60.

44 Scanlan, Results Management in Action, p. 70. Schleh advocates 2-5 objectives; see, Schleh, Management by Results, p. 22. Valentine suggests that a satisfactory objectives programme need not include more than five objectives; see, Valentine, Performance Objectives for Managers, pp. 54-6. Mahler makes an admittedly arbitrary choice of 10; see, Mahler, "A 'Systems' Approach," p. 13; Simpkins suggests starting with a limited number of two or three and moving to greater sophistication; see, Simpkins, "Planning for Management by Objectives," 36. McConkey objects to setting any arbitrary limit; see, McConkey, How to Manage by Results, pp. 57-8.

45 Drucker, The Practice of Management, pp. 86-7; Scanlan, Results Management in Action, pp. 62-3; Schleh, Management by Results, pp. 35-6, 39-40; Valentine, Performance Objectives for Managers, p. 76; McConkey, "Judging Managerial Performance," 50; Howell, "A Fresh Look at Management by Objectives," 56.

The emphasis which is placed on the setting of objectives appears to overshadow the remainder of the planning process which involves the determination of the individual tasks or actions required to achieve the objectives. However, the essence of the management by objectives approach is that the focus is on results. The general premise is that the individual is accountable for results, and that he is, therefore, at liberty to choose the means to the objective that he feels will be most effective.⁴⁶ Thus, the planning with objectives process is completed for any given management cycle when the overall objectives have been determined by top management and these, in turn, have been used as the focus for the development of the objectives throughout the organization.⁴⁷

46 McConkey, How to Manage by Results, p. 81; Scanlan, Results Management in Action, pp. 68-9; Schleh, Management by Results, pp. 12-3, 38.

47 The literature reviewed for this examination of the objective setting process has been directly related to the management by objectives approach. This study reflects the perspective of that literature. However, it should be noted that another dimension of developing organizational objectives has been explored by authors such as Simon, Cyert, and March. They have focused on the behavioral aspects of goal determination. Simon used a decision-making framework to suggest that an acceptable course of action for any organization member must satisfy a whole set of requirements or restraints. If this set is viewed as a complex goal of action, it can then be visualized as including such factors as the motivation of the individual. See, Herbert A. Simon, "On the Concept of Organizational Goal," Administrative Science Quarterly, 9(June, 1964), 1-22. A behavioral theory of organizational objectives developed by Cyert and March considered the effect of individual goals on the development of organizational goals. They argued that it is not possible for various subunits to arrive at a set of consistent

Control and Appraisal with Management by Objectives

Management's responsibility for the control of performance has always featured prominently as one of its major function.⁴⁸ The many authors who have examined the concept of control in organizational situations have adopted two basic points of view. One centres on the control of organizational performance through administrative processes; the second focuses on the control of individual behavior through supervisor-subordinate relationships.⁴⁹ The essence of the first

objectives. Instead, they suggested, the organization focuses on the various objectives sequentially and thus avoids any obvious conflict. See, Richard M. Cyert and James G. March, "A Behavioral Theory of Organizational Objectives," in Modern Organization Theory, pp. 1-15. For a full treatment of their theory applied to an organizational setting see, Richard M. Cyert and James G. March, A Behavioral Theory of the Firm (Englewood Cliffs, New Jersey: Prentice-Hall, Inc., 1963).

48 "Controlling" has generally been advanced as one of the functions of management. In addition to references cited in footnote 9, see also, Harold Koontz and Cyril O'Donnel, Principles of Management (New York: McGraw-Hill Book Company, 1964), pp. 38-48; Claude S. George, Jr., The History of Management Thought (Englewood Cliffs, New Jersey: Prentice-Hall, Inc., 1968), pp. 164-66; Edward H. Litchfield, "Notes on a General Theory of Administration," Administrative Science Quarterly, 1(1956), 12.

49 Blau and Scott have discussed managerial control in terms of leadership and "impersonal mechanisms of control". This differentiation appears to approximate the two themes suggested here. See, Peter M. Blau and W. Richard Scott, Formal Organizations (San Francisco; Chandler Publishing Co., 1962), pp. 165-93.

concept is that control is management action which adjusts operations to some predetermined standard on the basis of information feedback. Thus, standards and information emerge as key elements.⁵⁰ Those who have adopted a behavioral perspective have focused on leadership and the way in which a supervisor's exercise of influence can affect his control of his subordinates' performance.⁵¹ These two dimensions of control are of significance because management by objectives offers fresh ideas for both of them.

Appraisal of performance is almost universally treated as the comparison of achieved results against stated objectives. In the management literature the discussion of appraisal has centred around two main themes; the appraisal of organizational performance and the appraisal of individual performance. The former features prominently

50 These concepts of control are based upon organizational models similar to those of the natural and applied sciences which employ feedback as a major element in the control process. See, Chadwick J. Haberstroh, "Control as an Organizational Process," in Some Theories of Organization, pp. 513-18. The concept is widely discussed. See, Sherwin, "The Meaning of Control;" Edward L. Anthoney, "Effective Control for Better Management," in The Nature and Scope of Management, pp. 207-10; Rathe, "Management Control," pp. 26-38; Harold Koontz, "Management Control: A Suggested Formulation of Principles," California Management Review, 1(1958-59), 47-55; Arnold F. Emech, "Control Means Action," Harvard Business Review, (July-August, 1954), 92-8.

51 Rosengren, "Structure, Policy and Style: Strategies of Organizational Control," 140-64; Tannenbaum, "The Concept of Organizational Control;" Newman, Summer and Warren, The Process of Management, pp. 721-37; R. A. Stringer, Jr., "Achievement Motivation and Management Control," Personnel Administration, 29(November-December, 1966), 3-5ff.

in the control process and the determination of organizational effectiveness; the latter has emerged essentially as the evaluation of personnel. The two aspects of appraisal are of interest to this study because management by objectives takes a fresh approach to both of them. There appears to be a close relationship between the appraisal and control of organizational performance; therefore, they will be examined together. The importance of management by objectives for the evaluation of personnel will be discussed later.⁵²

The purpose of control is essentially to ensure that the results of organizational activities will conform as closely as possible to the organization's objectives. The management by objectives approach does not differ in this respect; however, it does introduce new approaches for the control and appraisal of performance aimed at overcoming some of the dysfunctional effects of these processes. The dysfunctional effects have been the centre of examination and discussion for some time; and, although the critiques have varied, there are one or two themes that are readily identifiable.⁵³ The first

52 See pages 110-19.

53 Haberstroh has identified three types of critiques. The "economist" critique which discusses the way in which the measurement processes are applied. The "scientist-engineer" critique that examines the way in which the performance measurements are applied; and the "human-relations" critique which points out the inadequacy of the theories of human behavior implicit in the design of control and evaluation systems. See, Haberstroh, "Organization Design and Systems Analysis," pp. 1182-5.

argues that the use of goals or objectives as a basis for control and evaluation can result in performance aimed at the achievement of particular objectives at the expense of other, or overall, organizational objectives. The second points to the adverse behavioral responses and unanticipated consequences that can arise from the use of control and evaluation systems.

One group of arguments related to the first critique points to the danger of using a single objective for control and evaluation of performance. Ridgeway has indicated that the use of a single criterion readily produces results which adversely affect the overall goal accomplishment of the organization.⁵⁴ This has adequate empirical support from studies reported by Blau, Argyris, and Berliner.⁵⁵ Bryan has expressed the danger in terms of "suboptimization" which encompasses the idea that management must be aware of the danger of emphasizing single or short run objectives at the expense of complex or long run goals.⁵⁶ A similar concern is the basis for Shaeffer's

54 Valentine F. Ridgeway, "Dysfunctional Consequences of Performance Measurement," in Readings in Organization Theory, ed. by Walter A. Hill and Douglas Egan (Boston: Allyn and Bacon, Inc., 1966), pp. 523-5.

55 Peter M. Blau, The Dynamics of Bureaucracy (Chicago: The University of Chicago Press, 1955); Chris Argyris, The Impact of Budgets on People (New York: Contollership Foundation, 1952); Joseph S. Berliner, "A Problem in Soviet Business Management," Administrative Science Quarterly, 1(1956), 86-101.

56 Stanley E. Bryan, "The Total Management Concept," Business Topics, 14(Spring, 1966), 30-7.

objection to the division of overall objectives into subgoals for an organization. He feels that it is inevitable that subordinate units and individuals will direct their attention to their own goals and ignore the wider perspective.⁵⁷ While Bryan and Schaeffer do not discuss the problem in terms of it arising from the use of a single criterion, Ridgeway has extended his argument to point out that the use of multiple criteria is not the sole answer. Unless there is some index of priority and importance, multiple goals can lead to the same dysfunctions.⁵⁸

In the light of this critique, it is possible to assess the contributions which the management by objectives approach has to offer. It has already been noted that it calls for objectives (the criteria for both control and evaluation) that:

- 1 Reflect all key areas in which performance must be controlled or evaluated;
- 2 Are compatible with, and contribute to, the overall objectives of the organization;
- 3 Are weighted to achieve a proper emphasis; and

57 Robert H. Schaeffer, "Managing by Total Objectives," Management Bulletin, 52(1964), 1-11. This problem has also been discussed elsewhere. See, Newman, Summer and Warren, The Process of Management, pp. 480-3.

58 Ridgeway, "Dysfunctional Consequences," p. 525.

- 4 Are operationalized to permit objective comparison with results.⁵⁹

Therefore, the management by objectives approach offers a means of overcoming the major dysfunctions that were pointed out by these authors.

The literature that directs its attention to the control of organizational performance on the basis of these types of objectives, and in terms of administrative processes, generally discusses it with an emphasis on management accounting and information systems. Budgets, cost data, production figures and variance reports are central items of interest, as are detailed examples of objectives for various functional areas.⁶⁰

The second critique of the processes for the control and evaluation of organizational performance draws attention to the inadequate appreciation of human behavior and how it is influenced by administrative features of the control system and the type of supervisory behavior. Argyris has pointed to one salient administrative feature, the budget, and examined the impact of its use on

59 See pages 99 to 101.

60 See, Boyce, Integrated Managerial Controls; Miller, Objectives and Standards; Ernest C. Miller, Objectives and Standards of Performance in Production Management (New York: American Management Association, 1967); H. G. Hicks and F. Goronzy, "Notes on the Nature of Standards," Academy of Management Journal, 9(1966), 281-93.

people. He found that it can misdirect activity when used as a tool for appraising performance.⁶¹ The adverse effects of managerial control, as has already been noted, has been one of the main themes of McGregor, Argyris, and Likert. McGregor quarrelled with the use of a control system that assumes individuals are passive and must be directed; Argyris elaborated on the apathy and withdrawal of individuals subjected to close managerial control; and Likert linked ineffective organization, in part, with control processes highly concentrated in top management.⁶² Newman, Summner and Warren have offered the opinion that people do not accept controls because they may not have any genuine interest in achieving the objective, or they may feel the standard is unreasonable and the measurements inaccurate.⁶³

61 Chris Argyris, "Human Problems with Budgets," Harvard Business Review, 31(January-February, 1953), 97-110.

62 McGregor, The Human Side of Enterprise, pp. 33-43. See also, McGregor, The Professional Manager, pp. 116-33; Douglas McGregor, "Do Management Control Systems Achieve Their Purpose?" Management Review, 56(February, 1967), 4-18. This latter article is based on material from The Professional Manager. Chris Argyris, Personality and Organization; Likert, The Human Organization, p. 9. For an overview of the positions of these authors on the problems of control systems see, J. L. Livingstone, "Management Control and Organizational Performance," Personnel Administration, 28(January-February, 1965), 37-43.

63 Newman, Summner and Warren, The Process of Management, pp. 722-8.

Others have pointed to the dysfunctional effects arising from control in organizations. Presthus has suggested that individuals accommodate to organizational control by becoming upward mobile, indifferent or ambivalent.⁶⁴ Tannenbaum's studies of the exercise of control in organizations have suggested to him that the more significant improvement in the human side of enterprise are going to come through changes in the way organizations are controlled.⁶⁵ Using the concept of "total control" in organizations, he and others have found, through empirical research, that with greater total control (that is a greater sharing of control at all levels) there is a marked improvement in many of the dimensions of organizational effectiveness.⁶⁶

64 Robert Presthus, The Organizational Society (New York: Alfred A. Knoff, 1962).

65 A. S. Tannenbaum, "Control in Organizations, Individual Adjustment and Organizational Performance," Administrative Science Quarterly, 7(September, 1962), 255-6.

66 The concept of "total control" is operationalized by determining the amount of control exercised at each level of the organizational hierarchy and summing these amounts. For a discussion of the research in this area see, Philip M. Marcus and Dora Cafagna, "Control in Modern Organizations," Public Administrative Review, 25 (June, 1965), 121-7. For individual research studies on this general area, see, G. G. Smith and O. N. Ari, "Organizational Control Structure and Member Consensus," American Journal of Sociology, 69(May, 1964), 623-38; Clagett S. Smith and Arnold S. Tannenbaum, "Organizational Control Structure: A Comparative Analysis," Human Relations, 16(1963), 299-316; Arnold S. Tannenbaum, "Control and Effectiveness in a Voluntary Organization," American Journal of Sociology, 67(1961), 33-46. For a collection of several of these articles and others, see Arnold S. Tannenbaum, Control in Organizations (New York: McGraw-Hill Book Company, 1968).

Evaluation of Individual Performance

Management by objectives features an approach to the appraisal of individual performance which also focuses on results. As in the appraisal of organizational performance, its essence is the comparison of actual performance with stated goals, and its ultimate aim is the improvement of performance and the stimulation of individual development.⁶⁷

A great deal has been written in the management literature on this type of appraisal system. The predominant theme, almost invariably, has centred on the dysfunctions and disadvantages of the traditional "traits approach" and the solutions offered by the "goals approach."⁶⁸ Using a traits approach, the supervisor assumes responsibility for making judgments about the assets, liabilities, and

67 This is the concept of goals oriented appraisal as it has been expressed by a wide variety of authors. See, Charles J. Coleman, "Avoiding the Pitfalls in Results - Oriented Appraisals," Personnel, 42(November-December, 1965), 24-33; Wikstrom, "Managing by Objectives or Appraisal by Results;" McConkey, "Judging Managerial Performance."

68 W. R. Mahler and Guyot Frazier, "Appraisal of Executive Performance: The 'Achilles Heel' of Management Development," Personnel, 31(1955), 429-41; Chester R. Harris and Ronald C. Huse, "Tasks, Not Traits--A Key to Better Performance Review," Personnel, 41(May-June, 1958), 59-68; Alva F. Kendall and James Gatza, "Positive Program for Performance Appraisal," Harvard Business Review, 41(November-December, 1963), 153 ff; Douglas McGregor, "An Uneasy Look at Performance Appraisal," in Leadership and Motivation. For a dissenting opinion see, Roy C. Kern, "Appraisal and Things," Personnel Journal, 45(1966), 407-9; Harold Mayfield, "In Defense of Performance Appraisals," Harvard Business Review, 38(March-April, 1960), 81-7.

personality traits of the subordinate, and he makes the decisions as to how the subordinate should change. However, when a goals approach is used, both the supervisor and the subordinate share the responsibility for creating performance goals and planning the action to meet them.⁶⁹

The traits approach has met with a considerable degree of criticism in the past decade. McGregor has suggested that managers will not accept the role of judging personality traits because it runs counter to their convictions about the worth and dignity of human personality.⁷⁰ Not only is the manager often unwilling to judge his subordinates' personalities, some authors have agreed that he is generally unqualified to do so.⁷¹ Furthermore, empirical research

69 This distinction is quite apparent from any of the literature mentioned above; however, two other sources give a clear and concise differentiation. See, Robert R. Blake and Jane S. Mouton, Group Dynamics - Key to Decision Making (Houston, Texas: Gulf Publishing Company, 1961), pp. 41-2; Paul Rothaus, Robert B. Morton and Philip G. Hanson, "Performance Appraisal and Psychological Distance," Journal of Applied Psychology, 49(1965), 48. For a good overview of various approaches to performance appraisals see Thomas L. Whisler and Shirley F. Harper, eds., Performance Appraisal (New York: Holt, Rinehart and Winston, 1962).

70 McGregor, "An Uneasy Look at Performance Appraisal," p. 188.

71 Joseph J. Wruk, Jr., "Why Performance Appraisals?" Personnel Journal, 43(1964), 512-14; Kendall and Gatzka, "Positive Program for Performance Appraisal," 154.

has pointed to the fact that the cognitive aspects of the manager may introduce distorting influences. For example, he may appraise the subordinate on the basis of a stereotype image he holds, or he may allow a single characteristic, of which he approves, influence his overall judgment.⁷² The other criticisms of the traits approach have centered around the managerial observations and empirical findings that: criticism has a negative effect on employee achievement; defensiveness results from criticism and results in inferior performance; and praise has actually little positive or negative effect.⁷³

The results-oriented approach to the appraisal of individual performance has been advanced as a means of overcoming these problems. The research which has uncovered many of the dysfunctions of the traits approach has also revealed that: performance improves most when specific goals are established; mutual goal setting, not criticism, improves performance; participation by the employee in the goal

72 For a survey of some relevant research see, S. S. Zalkind and T. W. Costello, "Perception: Some Recent Research and Implications for Administration," Administrative Science Quarterly, 7(September, 1962), 218-35; see also, Odiorne, Management by Objectives, pp. 177-80.

73 For references and discussion of some empirical research see, Leopold W. Gruenfeld and Peter Weissenberg, "Supervisory Characteristics and Attitudes Toward Performance Appraisals," Personnel Psychology, 19(1966), 143-51; see also, Rothaus, Morton and Hanson, "Performance Appraisal and Psychological Distance," 53-4; Kenneth E. Richard, "A New Concept of Performance Appraisal," Journal of Business, (July, 1959), 229-43; L. Berkowitz et al., "Effects of Performance Evaluations on Group Integration and Motivation," Human Relations, 10(1957), 195-208; Emanuel Kay, Herbert H. Meyer and John R. P. French, Jr., "Effect of Threat in a Performance Appraisal Interview," Journal of Applied Psychology, 49(1965), 311-7.

setting procedure helps produce favourable results; and coaching should be a day-to-day, not a once-a-year activity.⁷⁴

The key features of employee appraisal under management by objectives have, therefore, emerged as: the joint setting or developing of goals or objectives to serve as performance criteria; and the appraisal of the results by both superior and subordinate. Much of the literature discusses the appraisal within the context of the management by objectives cycle; consequently, the appraisal of performance and the development of new objectives are often viewed together. The latter process has already been discussed in detail; however, there are also several managerial practices which are advocated as particularly valuable for the appraisal interview itself. These can be summarized as:

- 1 Appraisal by results is essentially quantitative in nature. Therefore, the supervisor should examine carefully the objective data needed for the comparison of actual performance with the performance objectives;

74 These points are singled out by Meyer, Kay and French as emerging from their empirical research. See, Herbert H. Meyer, Emanuel Kay, and John R. P. French, Jr., "Split Roles in Performance Appraisal," Harvard Business Review, 43(January-February, 1965), 124. For individual research studies which support these points, see, H. H. Meyer and W. B. Walker, "A Study of Factors Relating to the Effectiveness of a Performance Appraisal Program," Personnel Psychology, 14 (1961), 291-8; E. Bruce Kirk, "Appraisee Participation in Performance Interviews," Personnel Journal, 44(1965), 22-5; Rothaus, Morton and Hanson, "Performance Appraisal and Psychological Distance." For a

- 2 The supervisor should review any extraordinary circumstances which might have affected the results and which were outside the control of the manager;
- 3 The supervisor should determine what constructive comments he can offer as to how the subordinate can improve his own performance;
- 4 During the interview, the supervisor should seek an understanding of the individual, so that he can appreciate his behavior in the light of all the situational factors;
- 5 A constructive and collaborative climate is vital. This can be created, in part, by a supervisor who is willing to ask about the areas in which a subordinate requires assistance and the changes he would suggest in the supervisor himself, and other job factors, to do a better job; and
- 6 The supervisor should focus only on the performance criteria that have been established for the work. He should avoid interpersonal comparisons and should

good discussion of the criticisms of the traits approach and the use of a results-oriented approach-see, George Strauss and Leonard R. Sayles, Personnel: The Human Problems of Management (Englewood Cliffs, New Jersey: Prentice-Hall, Inc., 1967), pp. 549-67.

make every attempt to keep the appraisal focused on the individual's own results.⁷⁵

Two issues which are generally dealt with are whether or not the appraisal should be held more than annually (or more than once per management cycle), and whether or not there should be an adjustment in performance objectives during the cycle. Most authors appear to favour the opinion that, since the appraisal constitutes a constructive coaching of employees, it should not be tied to any arbitrary date. For example, Kellogg has discussed "day-to-day" coaching; Howell has suggested "frequent performance reviews"; McConkey has advocated reviews at interim periods throughout the management cycle; and Shihadeh has offered the opinion that appraisal should take place as often as necessary and at least once a year.⁷⁶ It also appears that several authors support the possible review of performance objectives. In fact, Scanlan has pointed to management

⁷⁵ Valentine, Performance Objectives for Managers; Shihadeh, "Getting Improved Results;" N. R. F. Mailer, The Appraisal Interview (New York: John Wiley & Sons, Inc., 1958); Strauss and Sayles, Personnel: The Human Problems of Management.

⁷⁶ Kellogg, Closing the Performance Gap, pp. 125-7; Howell, "A Fresh Look at Management by Objectives," 55; McConkey, How to Manage by Results, p. 63; Shihadeh, "Getting Improved Results," p. 1; See also, Mahler, "A 'Systems' Approach," p. 9; Meyer, Kay and French, "Split Roles in Performance Appraisal," 123.

by objectives as a dynamic and continuing process in which performance is evaluated on a continual basis and new goals are constantly being set.⁷⁷ Howell has specifically suggested that periodic reviews should be used to change objectives if necessary.⁷⁸ The positions that favour frequent reviews place considerable emphasis on manager-subordinate communication and put performance objectives forward as key communications devices.⁷⁹ Thus, the appraisal of individual performance, like that of organizational performance, is accomplished through the comparison of achieved results with stated performance goals. While appraisal is the end of the management by objectives cycle, it simultaneously marks the birth of a new one as the appraisal process merges into the setting of new objectives.

77 Scanlan, Results Management in Action, pp. 75-6.

78 Howell, "A Fresh Look at Management by Objectives," 55. For similar opinions see, Newman, Summner and Warren, The Process of Management, p. 469; McConkey, How to Manage by Results, p. 56.

79 For a perspective that features a focus on communication see, Mahler, "A 'Systems' Approach," p. 9; Dale and Michelon, Modern Management Methods, pp. 53-65; Batten, Beyond Management by Objectives, pp. 63-4; Howell, "A Fresh Look at Management by Objectives," 56.

Summary

Management by objectives represents an overall approach to management which has adopted objectives, both organizational and individual, as the focus for the whole management process. The various practices encompassed by the approach are presented in the literature as valuable tools for improving the motivation of organization members and/or facilitating management's functions of planning, controlling, and appraising performance. In general, it visualizes management as a cyclical process in which these functions represent the major dimensions.

Planning with objectives centres around the development of performance objectives throughout the organization. The resulting hierarchy of interlocking goals and objectives is intended to produce a unified effort, by all individuals and subsystems of the organization, toward the overall objectives. The objective setting process is a vital element of the management by objectives approach, and it is characterized by subordinate participation. This aspect of the process receives a particular emphasis in view of the motivational effect; however, in spite of its value, many authors point out that the degree of participation must reflect the situational factors. The objectives themselves receive a great deal of normative comment, and the literature presents a wide range of advice concerning the preparation of objectives. Top management is directed to develop objectives for all key areas of organizational performance. Individual

managers are exhorted to develop objectives compatible with the organization's overall objectives and which will also serve as objective criteria for the control and appraisal of performance, both during and at the conclusion of the management by objectives cycle.

The control and appraisal of organizational and individual performance is, therefore, often presented in terms of performance criteria. Control is widely discussed in connection with the feedback of information required to compare results with objectives. However, control of individual behavior, through appropriate superior subordinate relationships, also represents an important aspect of control within management by objectives. The exercise of influence usually associated with a democratic form of leadership, with its emphasis on individual autonomy and self control, characterizes this approach to management.

The appraisal of performance is, in essence, accomplished through the comparison of actual performance with stated goals. The appraisal of organizational performance constitutes an essential element of the control process, and it provides the error signal which activates the necessary corrective measures. In this sense, it is an ongoing process throughout the cycle. Appraisal of performance at the end of the cycle, or at specified points within it, represents a vital element in the assessment of organizational effectiveness and individual performance. The emphasis which has been given to the

goals approach of evaluating personnel has resulted in this aspect sometimes being singularly identified as management by objectives. However, it simply constitutes one aspect of the approach, albeit a very important one. In comparison to the traditional traits approach to individual evaluation, management by objectives releases the superior from making any personal judgements concerning the subordinate. The evaluation is conducted primarily on the basis of objective evidence of accomplishment against operationalized performance criteria.

The appraisal process marks the end of a management by objectives cycle; however, it is also the start of a new one. Therefore, the appraisal process and the objective setting process are identical in several respects. In particular, the collaborative atmosphere of the latter is also advocated strongly for the appraisal interview. Both are joint superior-subordinate sessions oriented toward problem solving. A clear emphasis is placed on the solution of past problems and the improvement of performance, both organizational and individual.

This chapter has presented a comprehensive review of what the literature offers as "management by objectives". Many of its practices reflect the impact of the contributions from the behavioral sciences which were presented in the preceding chapters. Therefore, the next and final chapter summarizes these contributions and reflects briefly upon the behavioral aspects of some of the management practices that have been described in this chapter.

CHAPTER V

SUMMARY AND CONCLUSIONS

This study was undertaken to examine the way in which management by objectives reflects the contributions, made to management theory and practice, by the behavioral sciences. It has examined the theoretical and empirical contributions in the areas of human motivation and leadership, and it has reviewed the various practices which constitute the management by objectives approach. The purpose of this final chapter is to summarize the behavioral contributions that have been discussed, and to suggest the practices, which have been presented as part of management by objectives, that appear to be based upon these contributions. Furthermore, it also attempts to analyze briefly the way in which the management practices have applied the improved understanding of human behavior that has been provided by the behavioral sciences.

Summary of Behavioral Contributions

Out of the search for an understanding of how individuals are motivated, there has emerged an appreciation of certain fundamental assumptions concerning human behavior. First of all, it appears that all human behavior is directed toward the satisfactions of a variety of needs, both physiological and egoistic. It also appears that these needs can be conceptualized as forming a hierarchy

with the physiological needs at the bottom and the ego needs for self-esteem and self-actualization at the top. With the satisfaction of any need, it ceases to be a motivating force, and the individual then seeks to satisfy a higher level need. Secondly, the complexity of human behavior also encompasses the cognitive aspects of the individual which affect the way in which he perceives both his needs and his environment. Thus, individual values, beliefs, and expectations are key factors governing human behavior.

The models of organizational behavior developed by the behavioral scientists incorporate these human variables; however, they also suggest that an individual's ultimate behavior is also a function of other variables in the organizational environment. In particular, there is the organizational structure, the technological variables of the work environment and the social variables of the work group. Therefore, the managerial practices of an organization are readily visualized as important factors influencing individual behavior. In view of the fact that these practices generally reflect some aspect of organizational leadership, the concept of leadership has become a focal point for those interested in management and organizational behavior.

The contemporary approach to leadership tends to view it as a form of behavior, characterized by an exercise of influence. The type and degree of influence has been suggested as the key variables distinguishing different leadership behaviors. From this

has followed a basic distinction between a democratic and a authoritarian type of leadership. The former has become associated with a variety of leadership practices, such as those which permit employee participation in the management processes; employee autonomy and self-control; and a supportive environment.

The empirical research conducted on the effect of this type of leadership behavior has offered considerable evidence to support the hypotheses that it will result in functional employee behavior, both for himself and for the organization. In short, it appears to improve organizational effectiveness by improving employee satisfaction, productivity, and adaptability to change.

The theoretical positions taken by the behavioral scientists and the results of their research suggests, however, that the ultimate criterion for an effective approach to leadership is the situation in which it is exercised. This recognizes the wide range of independent variables inherent in the models of organizational behavior and it also recognizes the arguments that have been presented against the use of democratic approaches in all organizational situations.

The insight into the effectiveness of a democratic form of leadership, as opposed to an authoritarian one, has been offered by the theory and the conceptual schemes linking leadership and motivation. In essence, the effectiveness rests upon the use of managerial practices that permit an employee to satisfy his own needs while, at the same time, achieving the objectives of the organization. In view of the

assumed hierarchical nature of human needs and the relatively high standard of the financial and supplementary rewards now offered by most organizations, the prime motivation of employees is viewed as associated with their striving to satisfy their ego needs. Therefore managerial practices, such as those associated with a democratic form of organizational leadership, offer various means for employees to achieve their need satisfaction. Without this "goal congruency", the behavioral scientists have argued that employees will become indifferent and passive toward the aims of the organization.

Summary of Management by Objectives

Management by objectives is an approach to management that encompasses a variety of managerial practices. In general, it views management as a cyclical process of planning, controlling, and appraising individual and organizational performance through the use of goals and objectives. This study has been primarily concerned with a behavioral perspective of this approach to management; therefore, this section summarizes, in their normative form, the practices which appear to reflect the contributions from the behavioral sciences.

It is suggested that the salient practices that meet this criterion are:

- 1 Use a joint superior-subordinate participative process for the development of objectives throughout the organization;

- 2 Control organizational and individual performance in terms of results achieved; rather than tasks to be performed;
- 3 Adjust the degree of participation and responsibility to suit the situation;
- 4 Guide employees toward the development of objectives that are realistic and attainable, but which also represent a challenge and which clearly identify the end results expected; and
- 5 Use a bilateral appraisal process in which performance is objectively assessed by comparison with the stated performance objectives and which is characterized by a supportive, problem solving atmosphere.

Some Reflections on the Behavioral Aspects
of Management by Objectives

There is a basic bond between the concept of management by objectives, as it is expressed by the above management practices, and the concepts of motivation and leadership presented by the behavioral sciences. The essential element of the bond is the idea that the most effective way of directing the full motivational potential of individuals toward organizational objectives is to design management practices that will permit them to satisfy their own needs as they work toward the objectives of the organization.

The behavioral sciences have pointed out that, in addition to the basic needs satisfied by salaries and wages, organizational members have social, psychological and self-fulfillment needs. Empirical evidence has indicated a sense of achievement, accomplishment, responsibility, growth, and advancement as being strong job motivators. Therefore, an approach to management that offers individuals the opportunity to satisfy these needs should produce a high degree of motivation and commitment toward organizational objectives.

Management by objectives is an approach that appears to meet this criterion. The participation of subordinate managers and employees, in both the objective setting and the appraisal processes, provides the means whereby they can satisfy various higher level needs. As has been discussed, the participatory process offers direct satisfaction for such needs as those for affiliation, responsibility, and individual growth. It also permits and encourages the individual to identify with the organization and its objectives; consequently, there is a satisfaction of the needs for status and self-esteem.

The definition of an individual's job in terms of end results places considerable emphasis upon the importance of his individual effort. In contrast to "management by direction", whereby supervisory managers detail tasks to be performed and control the work closely, management by objectives calls for the subordinate to plan and control his own activities. This aspect of the approach

reflects the functional effects associated with a democratic form of organizational leadership and the use of greater amounts of control at all organizational levels. In terms of need satisfaction, it contributes significantly to the satisfaction of an individual's need for achievement and responsibility.

The development and use of specific and clear cut objectives eliminates much of the climate that produces frustration and conflict between the individual and the organization. With objectives to work toward, an employee is able to achieve a sense of accomplishment. Without them, the work situation can be in a continual state of flux, with shifting emphases that ultimately lead to employee frustration. The requirement that the goals be attainable, yet challenging, is evidence of an appreciation of the necessity of providing for an individual's need for both achievement and growth. Unattainable objectives, while they might produce substantial striving and effort for a period of time, would result in continual frustration and culminate in resignation and passivity. If, however, the supervisor is adept at assessing the situational constraints, including the employee's ability, training, perceptions, and work environment, he should be able to guide him toward goals that he can attain and which will also provide him with a feeling of growth.

At managerial and supervisory levels, the combination of both organizational and individual objectives, enables managers to

visualize themselves and their organizational units as an integral part of the whole organization. The resulting appreciation of the importance of the respective roles in achieving the overall objectives of the organization is a valuable means of meeting the manager's need for self-esteem and recognition.

Finally, the objective recognition of accomplishments, by both an employee's supervisor and his peers, contributes greatly to his overall satisfaction and continued motivation. The use of performance standards and methods of measuring performance, that the employee has essentially set for himself, results in an evaluation of performance that does not alienate him. Furthermore, the evaluation process offers positive support for the employee that assists him to solve any problems hindering his goal achievement.

Thus, management by objectives has emerged as an approach to the management of organizations that attempts to utilize many of the recent findings of the behavioral sciences. In particular, the approach reflects the results of the theoretical inquiry and empirical research into human motivation and leadership. Therefore, it appears that there is ample justification for the premise that management by objectives exhibits a behavioral orientation toward management.

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